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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS FORTY-FIRST SESSION

held at the Palais des Nations, Geneva,
from 19 to 30 September 1994

Volume II

Summary of proceedings

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Preface

This volume (volume II) of the report of the Trade and Development Board on the first part of its forty-first session contains the summaries of statements made during the session.

All other matters relating to the first part of the forty-first session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly.* These include action taken by the Board, statements of position in relation to that action, the procedural and institutional matters, and diverse annexes.

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* See TD/B/41(1)/14 (Vol. I).

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INTRODUCTION

1. Opening the first part of the forty-first session of the Board, the **outgoing President**, Mr. Al Sherif Fawaz Sharaf (Jordan), expressed his thanks to all delegations and members of the secretariat who had given him their valuable support throughout his one-year term of office. The period covered by the fortieth session of the Board had been a challenging one, reflecting rapid and profound changes in the world economy. The significance of the fortieth session was that it stood mid-way between UNCTAD VIII and UNCTAD IX and its work was therefore regarded as a test of the organization's ability to live up to the expectations generated by the Cartagena Commitment. The reports of the Board on its regular and executive sessions testified to UNCTAD's position as the main focal point in the United Nations for the integrated treatment of trade and development. The executive sessions had greatly strengthened the policy function of the Board and the participation of invited experts and high-level officials had enriched the work of UNCTAD's intergovernmental meetings. The Board had also taken steps to improve the ways in which it conducted its business, and there had been a marked improvement in the rate of utilization of conference-servicing resources. All in all, UNCTAD was well poised to implement the new and challenging decisions taken at the Mid-term Review in May 1994.

2. In his opening statement, delivered upon his election as President of the forty-first session of the Trade and Development Board, the President, Mr. R.A. Pierce of Jamaica, expressed his sincere appreciation to all delegations for his election and stated that he would strive to the best of his ability to execute the duties of the office of President. On behalf of all members of the Board, he expressed deep appreciation and gratitude to the outgoing President: his tenure had been marked by high standards and brilliant leadership.

3. Referring to the Trade and Development Report, 1994 (TDR), he observed that, although the world was emerging from the recession of the past four years, the process was hesitant and uneven and stemmed mainly from the economies of East and South-East Asia. The central recommendation of the TDR was that the developed countries needed to depart from their supply-side, restrictive approaches to macroeconomic management, and promote growth by a process of demand stimulation. Only then would the efforts made by developing countries over the past decade to open their economies to world markets bear the promised fruit. A bold break with the policies pursued for over a decade was necessary if the pressing problems of global inequity, growing impoverishment and increasing unemployment were to be tackled. The conclusions that the Report drew from its analysis of the East Asian development experience might appear unfashionable in that they substantially qualified widespread notions as to what constituted appropriate development policies. The analysis forcefully underlined the role of the State in triggering and guiding the process of diversification and industrialization in successful developing economies. The anniversary issue of the UNCTAD Review corroborated these findings. It was obvious from UNCTAD's work that the divergent socio-economic and political conditions prevailing in developing countries called for an equally diverse and differentiated spectrum of economic policies, as well as pragmatic approaches.

4. On the question of sustainable development, he said that there was a danger that environmental regulations and criteria could come to be used as a new barrier to trade, further jeopardizing developing-country competitiveness where processes or products did not meet environmental standards set by the more affluent countries. If trade was to be a means of achieving sustainable development, it was essential to mitigate any negative impact of environmental policies on the market access of developing countries. UNCTAD had done some pathbreaking work in this area, and he was pleased to note the extent of cooperation which the secretariat had been able to develop with the United Nations Environment Programme (UNEP), the Commission on Sustainable Development (CSD) and the GATT/WTO secretariat.

5. Referring to the conclusion of the Uruguay Round and the imminent ratification of the Final Act, he said that the process of trade liberalization engendered by the Round threatened to widen the gap between successful developing countries - those that have succeeded in establishing a firm economic base and in penetrating world markets - and a large group of disadvantaged countries - those that mainly exported primary commodities or were dependent on international markets for food supplies. As illustrated in this year's TDR "latecomers" or "late developers" were finding it difficult to emulate the more successful developing countries. The discipline of the trade regime now establishing itself, coupled with the unilateral trade liberalization measures adopted by so many developing countries, had reduced their manoeuvring power with regard to their domestic economic policies. It was therefore the task of the Board to recommend that the "development dimension" be incorporated into multilateral rule making, and that the disciplines agreed to at Marrakesh be implemented. Among the issues to be tackled were remaining escalation in tariffs on products of vital export interest to commodity-based economies; further improving market access for all developing countries; negotiating a mechanism to compensate net losers in the Uruguay Round; and providing a safety net during the process of adjusting to the liberalized world trade order which would cushion the impact for disadvantaged economies.

6. In connection with the item on assistance to the Palestinian people, the Board would consider a set of technical cooperation activities proposed by the secretariat to assist the Palestinian people in their economic development, especially in promoting external trade. The thrust of the secretariat's involvement would be on institutional and human resource development. He urged the international community to match its political support for the peace process with economic and financial support.

7. Trade facilitation was at the heart of UNCTAD's technical cooperation activities. The United Nations International Symposium on Trade Efficiency was aimed at giving developing countries better access to world markets by facilitating and streamlining information flows. The Symposium would address the key sectors of trade-related services: transport, telecommunications, business practices, customs procedure, banking and insurance, and access to trade information. The Global Trade Point Network would be launched in the course of the Symposium.

8. He observed that the deliberations in UNCTAD, so far, on structural adjustment for the transition to disarmament had been very delicate. He therefore congratulated Ambassador Aktan (Turkey) and those delegations that had participated in his informal consultations for having formulated a draft decision which, he hoped, would secure consensus and thus enable the Ad Hoc Working Group on this issue to become operational.

9. The **Officer-in-Charge of UNCTAD** said that he would focus his statement on three main messages flowing from this year's Trade and Development Report. Commenting first on recent global trends and future prospects, he said that the signs were that in 1994 the pace of economic activity in the industrial world might pick up. Together with further progress in the developing countries and in the economies in transition, world output should grow by some 2.5 per cent this year. Even this upturn would be modest, however, and it would leave unemployment in industrial countries at unacceptably high levels. The short-term outlook was clouded, moreover, by uncertainties relating to the policy stances of Governments and the behaviour of currency markets. Adjustments in monetary policy alone, however, would not suffice to tackle the main cause of the current slow growth in the developed market economies, namely persistent inadequacies in the pace and pattern of demand creation. The TDR argued that, over the past 15 years, thinking and policy-making had swung too far away from demand management, so that in most years the world economy had suffered from a deficiency of demand. This was not to say that supply responses or inflation could be neglected. The point was that the approach towards macroeconomic policy should be balanced, pragmatic and non-ideological, that unemployment and activity levels - and, not just inflation - needed to be factored into the design of monetary and fiscal policies, and that active fiscal policy had a useful role to play in stabilizing economic activity. The TDR also cautioned against the dangers inherent in an all-round attempt to improve productivity, particularly in terms of higher unemployment and lower commodity prices.

10. The second major conclusion of the TDR was that in recent years development strategy had moved too far away from the idea of government intervention and a minimal role for the State, in favour of private enterprise and regulation through the price mechanism. The experiences of some of the most successful economies in the world had shown that governmental intervention could be extremely effective in advancing development. Far from being ideologically hostile to the private sector, this intervention had taken the form of encouraging the growth of the private sector as a whole. Policy was formulated in partnership with business, and business was held accountable for the results. Thus the "economic miracle" in these economies had not been entirely a "miracle of the market". However, it must be conceded that some other countries, particularly in Africa and Latin America, had relied on governmental intervention and failed precisely because they had treated such intervention as a panacea. These differing experiences led to the conclusion that the current state of knowledge was insufficient to offer a sure recipe for development in all circumstances. It might well be that there was not one right development strategy but several, depending on time and place.

11. The third message to emerge from the TDR derived from the secretariat's initial assessment of the outcome of the Uruguay Round. The gains in terms of a strengthening of the multilateral trading system, the substantial degree of

tariff liberalization and the adoption of an integrated dispute settlement mechanism were considerable. The Agreements had re-established the pre-eminence of multilateral disciplines and it was therefore imperative that the ratification process be completed as quickly as possible.

12. The secretariat's assessment of the Round did emphasize, however, several qualifications. For example, certain provisions in the Agreements provided for special safeguard mechanisms and discriminatory actions which could lend themselves to abuse and mitigate the trade liberalizing impact of the Agreements. Tariff reductions on key products of export interest to developing countries, moreover, had been considerably less than the general norm, although developing countries had accepted a dramatic increase in the level of their multilateral trade obligations. The question had also arisen as to the extent to which the disciplines that developing countries had accepted would constrain their ability to emulate the successful policies followed by other countries, such as those of East and South-East Asia. Many countries had been confronted with the additional problem of the erosion of preferential tariff margins, while, as had been recognized in the Ministerial Decision in Marrakesh, they could also be expected to incur higher costs for imported foodstuffs. The political impulse underlying this Decision could be built upon to provide a broader "safety net" for these countries, as suggested in the TDR. The urgency of this issue called for priority consideration by the Board.

13. Turning to the agenda item on the impact of environment-related policies on export competitiveness and market access (item 4), he referred to current fears that environmental policies of OECD countries might act as non-tariff trade barriers. Most analysts agreed that, in the context of the bold trade liberalizing reforms undertaken by a number of developing countries, product-related environmental requirements could have undue adverse effects on their trade and competitiveness. Developing countries might be pressed into devoting more resources to certain environmental improvements chosen by the importing country rather than choosing on the basis of their own environmental conditions and priorities. Such pressures might lead to protectionist abuse. There was thus a need to promote the adoption of an incentive-based mechanism which encouraged developing countries to internalize environmental costs.

14. Referring to the encouraging perspectives that were now opening up for the Palestinian economy, he said that the secretariat report on this item (TD/B/41(1)/3) contained proposals for a programme of technical cooperation activities in support of the Palestinian trade and related sectors, with an emphasis on capacity building.

15. As part of the follow-up to the recommendations of UNCTAD VIII (item 3), the Board would have before it a note by the secretariat entitled "The role and functioning of executive sessions of the Trade and Development Board" (TD/B/41(1)/CRP.1). The secretariat note reproduced (in paras. 10-14) a contribution from the delegation of Switzerland on this question, and he invited all delegations to give thought to this matter in order to clarify further the role of the executive sessions.

16. Finally, he welcomed the progress made in the preparations for the United Nations International Symposium on Trade Efficiency and also the prospect that, at its current session, the Board should be able to take a decision on the complex issue of structural adjustment for the transition to development. As for the thirtieth anniversary of UNCTAD, he trusted that the Board's commemoration of this event would provide an occasion for member States to take stock of UNCTAD's recent achievements and to provide a vision of, and support for, the organization's role on the threshold of the twenty-first century.

17. The spokesman for the **Group of 77 and China** (Angola) observed that, in a time of great change, the current trends pointed both to an intensification of competitive pressures and to the formation of economic alliances. Competition and cooperation had become two sides of the same coin in the global market-place. Business cooperation was taking the form of a vast array of strategic alliances. Politically the world had shifted towards the importance of the individual and, and riding on the wave of the telecommunication revolution, the opportunities for individual freedom and enterprise were unprecedented. Global transformation had brought about the most significant shift in international politics since 1945. The impact on the developing countries demanded immediate attention and thoughtful analysis. As pointed out in the Trade and Development Report, 1994 the recovery of the world economy was still very slow; in many developed countries, growth was still very modest and unemployment would probably rise further. For many countries of the Group of 77 there had been no improvement of growth compared to 1993. Their combined output would grow by no more than 4 per cent, and the disparities among regions of the Group remained large. In some developing countries, per capita incomes continued to fall, despite the implementation of structural adjustment programmes, and they had been particularly affected by the low primary commodity prices. Despite efforts to increase export volumes, imports had often had to be cut. There were signs of a recovery of commodity prices from their low levels of the early 1990s, but without an acceleration of growth in the industrialized countries, this recovery was unlikely to be sustained. Moreover, the availability of external finance was largely insufficient, and most developing countries remained under intense financial pressure. Inflows from abroad had stemmed partly from repatriation of capital and privatization, partly from speculative behaviour on international financial markets. Such flows were highly sensitive to prospects of increased returns in other parts of the world. Investment rates were still modest, and in some countries they were even lower than during the debt crisis. In order to solve the problem of global demand deficiency, and in recognition of the interdependence of the economies of both the developing and developed countries, the recovery in the latter must be strengthened. Moreover, measures should be taken to increase the flow of financial resources to developing countries.

18. For many developing countries, the servicing of external debt remained extremely difficult, despite concessional restructuring at the Paris Club. Bilateral debt reduction for severely indebted developing countries should be deepened. A welcome initiative in this direction had been taken at the Naples Summit of the Group of Seven, which opened the way for the adoption by the Paris Club of the "Trinidad Terms", under which low-income countries would benefit from a two-thirds reduction in the stock of their external debt.

For a number of low-income countries additional measures, going beyond the Trinidad Terms, would be necessary, including debt reductions of up to 100 per cent. Also, eligibility for the new terms should be widened so as to include all severely indebted countries that are IBRD/IDA recipients.

19. The Group of 77 and China fully endorsed the broad principles of UNCTAD's contribution within its mandate to sustainable development. The conclusions of the secretariat study (TD/B/41(1)/4) pointed to the importance of improved transparency and information on product standards as well as the provision of technical and other forms of assistance in enabling developing countries to comply with these standards. The study also raised the concern that the introduction of standards might not always be justifiable on scientific grounds, and when these were invoked on the basis of the precautionary principle, they should be treated with caution. UNCTAD had a prominent role to play in this context by providing information on emerging product regulations and their possible trade impacts. The standards should be compatible with multilateral trade agreements. On the issue of process standards, the study rightly argued that, while processes and production methods (PPM) policies were essential for the protection of the environment, there was little justification for applying these standards to imported products, since almost all environmental problems caused by PPM policies were local and not transmitted through the product. Moreover, as the study stated, policies seeking to address PPM tended to be based on a country's own particular social, cultural and development goals, which might be inappropriate for other countries. Positive measures such as financial assistance, transfer of technologies, sustainable production and fair prices for commodities would enable developing countries to improve their standards and better meet global environmental objectives. In order to assist developing countries in this process, UNCTAD had an important role to play in providing analytical information on new and emerging standards and regulations. Moreover, their actual and potential impact on the trade of developing countries should be examined by UNCTAD through its projects on trade and environment. The active cooperation of Governments was necessary in order to assist UNCTAD in realizing these projects which must be aimed at mitigating the trade distortion effects of environmental standards. Moreover, UNCTAD's technical cooperation programmes would provide information to negotiators and exporters from developing countries which could help them in their deliberations at the intergovernmental level.

20. The Group of 77 and China recognized the quality of the initial assessment of the outcome of the Uruguay Round made in Part Three of the TDR. Nevertheless, not enough attention was given to the interests and concerns of developing countries, as required by the mandate stated in paragraph 144 of the Cartagena Commitment. For example, the impact that the intensified and extended disciplines to be imposed by the WTO would have on the development policies of developing countries was mentioned only briefly on pages 158 and 159 of the report. This was not adequate. The measures devised to promote the developing countries' trade and development must conform to the obligations and commitments they had accepted. While the Uruguay Round results provided developing countries with new trade opportunities, their multilateral trade obligations had increased dramatically as well. The Board should therefore focus on ways and means for developing countries to make full use of these new trade opportunities and to secure differential and more

favourable measures to mitigate the burden of the obligations resulting from the Round. The special provisions for LDCs set out in the Uruguay Round Agreements and the Ministerial Decision should be concretized. In addition to enhanced market access, these countries would need support for product diversification, infrastructure, institution building and human resources development.

21. The TDR identified a series of problems that developing countries would face after the Uruguay Round. One related to the general problem of ensuring the effective implementation of those commitments of greatest interest to developing countries including, but not confined to, those which provided differential and more favourable treatment. The new obligations, including their procedural and administrative implications, would be a burden for the developing country Governments, especially in the less advanced and least developed countries. Most developing countries would require technical assistance in the form of human capital development and institution-building. The least developed countries, however, would require in addition financial assistance, including but not confined to that foreseen in the Ministerial Decision in favour of least developed and net food-importing countries. Furthermore, some developing countries were not contracting parties to GATT and would require technical assistance if they were to accede to the WTO.

22. The TDR pointed out that the MFN tariff rates on products of particular interest to developing countries still exceeded the average, even after the negotiations. Many developing countries considered that their major contribution to the negotiations in terms of tariff bindings and reductions and acceptance of more stringent disciplines might not have been reciprocated by the developed countries. Remedial action in the form of GSP improvements would be appropriate. Work should be undertaken to identify precisely the tariff lines concerned. In accordance with paragraph 135 of the Cartagena Commitment, the Group of 77 reiterated the principles that the generalized system of preferences should be general, non-reciprocal and non-discriminatory. All products should be included in the new generalized system of preferences. Preference-giving countries should implement immediately in their schemes those tariffs that were reduced to zero during the Uruguay Round. The GSP should be revitalized, introducing new elements such as preferential treatment for trade in services and regarding foreign direct investment.

23. Noting that the supporting papers did not contain a section on the Agreement on Agriculture, he said that it was precisely because the Group of 77 recognized that the results of the negotiations in the agricultural sector were extraordinarily complex that it would like the secretariat to give sufficient attention to identifying the problems and opportunities in the future. The same applied to textiles and clothing, where the various scenarios for staging the liberalization of this sector permitted under the Agreement on Textiles and Clothing should be examined.

24. Member countries of the Group of 77 had already taken the major political step of ratifying the results of the Uruguay Round and they were waiting anxiously for their developed trading partners to follow suit. They noted with concern efforts by protectionist forces in certain countries not only to delay such ratification, but also to insert restrictive elements that would go

counter to the letter and spirit of the multilateral trade agreements. The impact of the implementing legislation must conform with the obligations undertaken by every Contracting Party. In Marrakesh, a number of countries, including developing countries, had indicated certain issues for consideration in the future work programme of the WTO. The development implications of these proposals should be studied in depth by the secretariat, to permit UNCTAD to carry out it policy analysis and consensus-building function effectively, as laid down in the Cartagena Commitment. The TDR provided background on issues that were primarily proposed by developed countries. All the proposals should be examined, including, but not confined to, those suggested at Marrakesh.

25. Turning to the question of financing the participation of developing countries, particularly LDCs, in UNCTAD intergovernmental meetings, he hoped that it would be possible for the Board to arrive at an early decision in the matter. Furthermore, the Group of 77 welcomed the decision taken at the seventh (pre-sessional) executive session wherein the Board had requested the Officer-in-Charge of UNCTAD to commence consultations on the preparatory arrangements for UNCTAD IX, to be convened in early 1996.

26. Finally, he recalled that 1994 marked the thirtieth anniversary of the establishment of the Group of 77, which had come into being following the establishment of UNCTAD in 1964. Since then, the Group had been continuously involved in the activities of UNCTAD and UNCTAD had become the focal point for the activities of the Group of 77. It had remained until now the single irreplaceable and principal organ of the developing countries for the articulation and presentation of their collective trade and development interests in negotiations with the developed countries. The Group of 77 considered that negotiation and consensus building on trade and development issues should be the main focus of UNCTAD. Both the Group of 77 and UNCTAD were confronted by the challenge of change. For this, they needed to encourage interaction among nations more than ever before and the thirtieth anniversary should provide a stimulus for greater cooperation. This session of the Board provided a unique opportunity to celebrate in Geneva the thirtieth anniversary of the birth of the Group of 77, which would take place on 26 September 1994. The occasion would provide an opportunity to share experiences.

27. The spokesman for the **European Union** (Germany), congratulating the in-coming President on his election, said that he would be presiding over a Board session that marked a milestone in UNCTAD's 30-year history. Important UNCTAD events would fall under his tenure, such as the United Nations International Symposium on Trade Efficiency in Colombus, Ohio, in October 1994, and preparations for next year's Mid-term Global Review on the Implementation of the Programme of Action for the Least Developed Countries for the 1990s. The first week of the plenary of the current session would be dominated by the interdependence item (agenda item 2). The *Trade and Development Report*, as in previous years, should provide ample material for a lively debate. Nobody should be surprised , however, if the European Union in many instances came to different interpretations of the facts and reached conclusions that deviated sometimes decisively from the views of the authors of the TDR. He noted with some regret that another recent UNCTAD publication of similar importance, i.e. the *1994 World Investment Report*, did not figure

on the agenda of any UNCTAD body while it was still fresh on the shelves. Perhaps the calendar of meetings could take into account the need for a timely debate - be it in the future Commission on International Investment and Transnational Corporations or in some other UNCTAD forum. This presupposed, however, that this document would be available in due time in all the official languages of the United Nations, as was obligatory in UNCTAD.

28. On the subject of the documentation made available in general by the secretariat, he said that the European Union appreciated its generally high quality, especially in areas that were relatively novel, such as the very informative report on the impact of environment-related policies. Efforts to secure a more timely publication in all official languages had certainly been made; but once again he had to state that these efforts were not always successful, or that the situation had even deteriorated, at least as far as publication in French and Spanish was concerned. This could not but limit the thoroughness with which delegations from capitals were able to prepare themselves for the Board session.

29. Finally, observing that UNCTAD VIII had begun a process of change and that the Board had just completed the Mid-term Review, he said it was vital for UNCTAD to demonstrate its ability to adjust to a changing world and to respond to new challenges which were bound to arise. The definition of UNCTAD's role vis-à-vis the coming World Trade Organization was one such challenge and the way the Board handled the debate on the outcome of the Uruguay Round was already part of this process of adaptation. All States members were called upon to see to it that UNCTAD, at age 30 and soon on the road to UNCTAD IX, could preserve its flexibility also in the future. The European Union pledged its full cooperation in this endeavour in the spirit of Cartagena.

30. The spokesman for the **least developed countries** (Bangladesh) said that the Trade and Development Report, 1994 showed that the world economy was picking up slowly, but that there were wide variations in the performance of different countries. Growth performance in Africa remained highly unsatisfactory, falling commodity prices being responsible for poor performance in some of these countries. Political unrest and natural disasters had also played their part. The report pointed out that the performance of the world economy had been seriously impaired by problems of demand and suggested some policy approaches. In this context, an increased flow of resources, particularly ODA, to developing countries could help to generate demand and thereby reduce unemployment throughout the world. Such a step would mean a recognition of the interdependent nature of the global economy - an aspect which could have been highlighted in the TDR. The Board's deliberations on interdependence should focus on issues of vital importance to the global economy. The income losses from worsening terms of trade constituted a mechanism by which real economic resources were transferred from the poor to the rich countries. These losses adversely affected the sustainable development prospects of the developing countries since they contributed to the debt problem and to persistent poverty in many communities. Therefore, this issue should have been at the centre of the discussion on interdependence.

31. There was no doubt that environmental policies could contribute to sustainable development by correcting unsustainable patterns of production. It should be borne in mind that the choice of environmental policies had an important bearing on the level of development of a country. Environmental improvements were possible only at an economic cost. Cost internalization was no easy matter. While it was possible to prescribe the policy changes needed, particularly in developing countries, there must be a mechanism to ensure availability of resources for making desirable changes. Different countries had different natural resource endowments, levels of pollution, systems of production, labour and capital intensities and levels of development. Therefore, one should not advocate a uniform approach to solving environmental problems, nor prescribe environmental policies without being sure that such policies would have no negative impact. Moreover, such policies must be multilaterally agreed. Eco-labelling measures being implemented unilaterally by some developed countries, for example, might affect the exports of developing countries. Such measures must be compatible with multilateral trade agreements. Above all, environmental measures should not be carried out in a manner whereby the strong and the rich pass the burden on to the weak and the poor. What was required was an objective study of all products, services and processes exported by both the developed and developing countries and the establishment of a framework for taking measures in a fair and equitable manner.

32. In accepting the Uruguay Round package, the least developed countries had assumed important commitments in relation to their level of development. The special provisions for LDCs set out in the Marrakesh Ministerial Decision needed to be translated into concrete action. The LDCs looked to UNCTAD to help them materialize the special provisions. In addition to enhanced trading opportunities, these countries would need external finance for product diversification, infrastructure, institution building and human resource development. Foreign investment flows could play an important role in their capacity building. It was the LDCs' sincere hope that the international community would implement the differential treatment provisions to which they had committed themselves in the Uruguay Round Agreements and the Ministerial Decision in respect of the LDCs.

33. The LDCs were looking forward to the celebration of the thirtieth anniversary of UNCTAD. UNCTAD had a record of many significant achievements. On this occasion, the member States should rededicate themselves to making UNCTAD more effective and businesslike. Negotiation and consensus-building on trade and development issues should be the main focus of UNCTAD's work.

34. Finally, he said that the LDCs were happy to note that preparations for holding the United Nations International Symposium on Trade Efficiency were proceeding satisfactorily. The debate during the recent Intergovernmental Meeting of Trade-Point Officials and Experts had been very constructive and useful. The LDCs were looking forward to a successful Symposium in Columbus and they were grateful to the United States Government for its contribution in making this event unique and memorable.

Chapter I

INTERNATIONAL IMPLICATIONS OF MACROECONOMIC POLICIES AND ISSUES CONCERNING INTERDEPENDENCE: ELEMENTS OF SUCCESSFUL GROWTH AND ADJUSTMENT STRATEGIES

(Agenda item 2)

35. For its consideration of this item, the Board had before it the following publications:

Trade and Development Report, 1994 (UNCTAD/TDR/14)

Trade and Development Report, 1994 - Overview (UNCTAD/TDR/14/(Overview))

The following publication was also made available as a background document:

UNCTAD Review 1994 (UNCTAD/SGO/8).

36. In his introductory statement, the **Officer-in-Charge of the Global Interdependence Division** outlined the major world economic trends described in the Trade and Development Report, 1994 (TDR) and the main lines of argument put forward in the Report.

37. The spokesman for the **Asian Group** (The Philippines) said that, although the economic growth in most of the Asian region had outpaced that of all other regions, the Group was disturbed that there had been little improvement in many other countries, in particular in Africa. He hoped that the economic gains in Latin America would prove durable.

38. The examination made by the Trade and Development Report, 1994 (TDR) of the factors behind the success of economies in Asia was instructive and worthwhile. The application of lessons from that experience had been beneficial to surrounding countries, including the Philippines where the Government had put in place various reforms to revitalize business and the private sector. Economic recovery had begun in the Philippines and the country had joined the pattern of fast growth in the region. The Report was wise to conclude that the accomplishment of the Asian economic pace-setters did not constitute a model that could be replicated everywhere. Indeed, the example of successful countries might not be helpful for others whose situations were much more complicated owing to factors such as an enormous debt burden, proneness to natural disasters, and lack of natural or human resources. It was the view of the Asian Group that the Report's account of the rapidly growing economies of Asia confirmed or validated some of the important directions that UNCTAD had followed as well as positions that developing countries had taken.

39. The promotion of exports in which the country had a competitive edge was a common thread running through these success stories. None of the success stories were of countries that were dependent on a single or a few commodities, whose situation in the world market had continued to deteriorate. Foreign investment also had a role to play in accelerating economic development. In addition, the East Asia miracles would not have taken place

if the development of human resources and the harnessing of modern technology had been neglected. Development strategies had to be forward-looking. However, the Uruguay Round Agreements would eventually prevent many developing countries from adopting some of the measures successfully employed in East Asia, such as export incentives, import controls, and restrictions on foreign investment.

40. Economic recovery in the developed world had been slow. The Asian Group was alarmed that the slow growth had been caused mainly by persistent inadequacies in the pace and pattern of demand creation. Rising unemployment might stunt, if not reverse, the progress that had been made by the international community in opening markets. The Asian Group therefore strongly supported the recommendation of the Report that Governments act collectively to ensure that the level of global demand was compatible with worldwide growth and equilibrium. In particular, capital flows to developing countries should be increased in forms that were sustainable and predictable. Such flows would raise the level of global demand and thus reduce unemployment and poverty in the interdependent world economy.

41. The representative of **Japan** welcomed the initiative of the UNCTAD secretariat in choosing the subject of the development of East Asia as one of the major topics covered in the TDR. UNCTAD's analysis shared certain basic ideas with the World Bank's report, The East Asian Miracle. These ideas included the driving force of a vital private sector and the importance of effective competition. But it was the interaction between government intervention and private sector activities which was the essential factor in the success of East Asia. Governments in Asia had played a critical role in macroeconomic management and in the provision of social infrastructure based on a long-term development strategy. The government was also important in human resource development, the promotion of targeted industries, and redressing regional income differences and poverty alleviation, but in all those areas it had to take into consideration the efficient allocation of resources based on market principles. Japan also attached great importance to the spirit of self-help, and to appropriate cooperation among the various economic actors, namely the Government, private enterprises and households.

42. The regional aspect of East Asian success involved a dynamic, multi-layered process with a positive interaction among countries through which the development of one country spread to others. UNCTAD's study of East Asian experience should be followed up after the current session of the Board. It might be useful to try to extract those parts of the East Asian experience that could be applied elsewhere. In this context it was necessary to take account of the evolution of the international environment which was now rather different from that of the 1950s and the 1960s. Consideration should also be given to the question of the limits to government intervention. Moreover, the links between industry and agriculture should be examined.

43. The representative of **Tunisia** said that global economic interdependence had accentuated the vulnerability of numerous developing countries to the world recession and the weakness of commodity prices, and he hoped that useful recommendations would be made on this aspect at the next session of the Standing Committee on Commodities. It was important that developing countries should contribute on an equitable basis to the inevitable globalization of the

world economy. Although Tunisia was satisfied with the results of the Uruguay Round, it emphasized the need for participating countries to respect their commitments. Appropriate measures should also be taken to help developing countries take advantage of these accords.

44. In this era of partnership, Tunisia was ready to restructure its economy to render it more efficient so long as its trading partners also adopted similar trading strategies. In this respect UNCTAD could play a major role in ensuring international cooperation in the area of world trade. Tunisia, for its part, would soon be hosting a meeting prepared by the Economic Commission for Africa, the Organization of African Unity, UNCTAD and GATT to elaborate a technical assistance programme to help African countries implement the results of the Uruguay Round.

45. The representative of **Switzerland** welcomed the support for pragmatism and flexibility expressed in the TDR. These were also guiding principles of the Swiss authorities. But she had some reservations concerning the *Report*'s proposals on macroeconomic policy for Europe, since macroeconomic stability and the control of inflation had always been the bases of the economic policy of Switzerland.

46. Concerning the impact of government intervention in selected East Asian countries, she said that, while government economic intervention had contributed to economic development in some countries, counter-examples could also be found. It was to be regretted that newly industrialized countries with less interventionist policies, such as Indonesia, Malaysia and Thailand, had not been included in the *Report*'s study. With regard to conditions favouring development, she stressed the importance of policies aimed at improving human resources, especially education, of efficient administration, of a legal environment favouring private investment, and of exchange of information between private and public sectors leading to a mutual confidence. The models of interventionism developed by some Asian countries would not always be directly acceptable elsewhere as too many economic as well as non-economic factors specific to particular countries influenced the policy outcomes. Nevertheless, the conditions and the structures for development created by those countries could serve as an example.

47. The representative of the **United Republic of Tanzania** said that recent economic performance in most African countries had continued to follow the unsatisfactory trends of the past decade. Per capita incomes in 1993 and 1994, particularly in the least developed countries, had continued to decline. This poor performance had been, in part, the product of deteriorating terms of trade, inadequate levels of external resource flows, and an increasing debt burden. International efforts to address these problems, such as the initiatives of the Group of Seven at the Naples Summit, were to be welcomed. But domestic policy measures also had to be addressed, and the development lessons from other regions fully absorbed.

48. Economic development policies in most African countries had been dominated by structural adjustment programmes. Under these programmes restrictive credit policies had dampened both private and public investment. Sharp devaluations of the real exchange rate had further depressed investment through their negative impact on domestic absorption and the increased real

cost of imported goods. Future development strategies for Africa needed to encourage the promotion of small and medium-scale enterprises, to improve human capital, and to enhance research and development capacities.

49. Tanzania's experience, like that of many countries of Sub-Saharan Africa, had not been impressive. During the second half of the 1980s Tanzania had begun to implement its own adjustment programme with negative effects on investment, both private and public. Large amounts of resources were now being spent on the restructuring and privatization of public enterprises, and these programmes had priority claims on aid from the multilateral financial institutions. While the improved aid climate had had positive results, the questions of volume, timeliness and conditionality of aid remained matters of concern to policy makers.

50. The representative of **Romania** observed that in a world characterized by continuously increasing interdependence everyone was affected by macroeconomic changes. This was especially true for developing countries and countries in transition, which had to achieve macroeconomic stability and growth in a frequently unfriendly climate. Through analysis of actual experiences and cases, approaches to policy could be more pragmatic and could help to answer particular questions that were preoccupying countries. He also expressed great interest in the preliminary evaluation of the results of the Uruguay Round in the TDR.

51. Turning to the economic situation of his own country, he stressed the difficulties of combining macroeconomic stability and the structural adjustments necessary in order to overcome the heavy inheritance from the past. After some very difficult years from an economic and social point of view, the first signs of stabilization and growth had appeared, although some disequilibrium still persisted. Nevertheless, Romania was determined to pursue its process of transition. In industry and agriculture, restructuring was moving rapidly; special attention was being given to privatization, and new legislation on mass privatization was now in place. He hoped that this sharing of his country's experience would be of help to others.

52. The representative of **Mexico** said that the TDR had become a major reference work for the analysis of the evolution of the world economy, irrespective of whether one agreed with all the views put forward in the Report. It was therefore a matter of concern that the distribution of the Report had not allowed the Mexican authorities enough time to carry out a thorough analysis of its contents.

53. Although it was true that the model applied in the South-East Asian economies was a good example of coherent policy-making, one could not conclude that there was one ideal model that was the best option for all developing economies. UNCTAD should therefore continue to explore all plausible economic and trade policies with the objective of supporting developing economies in policy design and related international negotiations so that they might improve their position in the world economy.

54. The successful conclusion of the Uruguay Round had proved that the international community had decided to follow the path of cooperation, notwithstanding past deviations from this path. The new challenge was to

demonstrate that such cooperation in trade and investment could be channelled into other fields, such as technology transfer, joint ventures (which accounted for a substantial proportion of exports in some Asian countries), and fiscal and monetary policies, where it was important that the interest-rate policies of industrialized countries allowed adequate world growth rates.

55. The spokesman for the **European Union** (Germany) said that the European Commission was more optimistic than the UNCTAD secretariat with respect to growth in the developing countries and the countries in transition. In both groups of countries the recovery potential was, however, unequally distributed among regions. While Asia remained the most dynamic economic region in the developing world, the pressing problems of Africa were still far from being solved. In the European Union the employment situation remained unsatisfactory. There was a need to increase flexibility in job markets, to improve education and training, and to use technical progress more efficiently. Thanks to multilateral and regional liberalization, the rising imports of Central and Eastern Europe, and intra-regional FDI, world trade would grow faster than output, thereby stimulating growth and stabilizing prices. The European Union did not agree with the Trade and Development Report on the policies suggested to revive growth. There was no need for expansionary monetary policies in Europe. Policies that gave rise to fears of inflation were not helpful at the present stage of recovery.

56. While the prices of raw materials were likely to continue their revival in the medium term, commodity-dependent countries should not slacken their efforts to enhance efficiency in commodity production and to diversify their export structures. A consistent macroeconomic policy aimed at stability would be more helpful than attempts to stabilize prices artificially with methods alien to markets.

57. In many countries of Africa it was not the failure of reforms but the difficulties of sustaining them which were responsible for economic problems. Countries that had undertaken difficult reforms had achieved encouraging results, while in others adjustment programmes suffered from the absence of diversification, lack of a sufficiently favourable framework for investment, imperfections in the financial system, the insufficiency of regional integration, excessive public expenditure, trade barriers, and problems of governance. The devaluation of the CFA franc had to be accompanied by appropriate fiscal and financial policies. While recent economic progress in Latin America was welcome, capital flows to the region needed to be carefully monitored in order to avoid inflation and an overheating of economies. Measures aiming at deflecting speculative capital flows could hit longer-term as well as more speculative investors. The example of the Asian economies showed that there was no model of development that could be applied in all regions alike, and it was debatable whether these examples really pointed to the successful implementation of an economic policy of the "visible hand".

58. The flow of financial resources to developing countries had reached a peak in 1993. The greatest expansion had taken place in private flows. FDI from OECD to developing countries had risen substantially, but there was scope for increasing it further. The European Union supported the efforts of the

Paris Club at building a consensus on the improvement of the debt strategy, particularly as regards the criteria for offering greater concessionality and for restructuring the stock of debt.

59. Following the setting up of the World Trade Organization and other events, the activities of many international organizations, including UNCTAD, needed to be redefined. The European Union, for its part, supported efforts to maintain and enhance UNCTAD's influence in the international discussion of economic and development questions.

60. The spokeswoman for the **Nordic countries** (Denmark), speaking on behalf of Denmark, Finland, Norway and Sweden, noted that the global economic situation continued to be characterized by relatively slow growth despite regional exceptions in the developing world. In the developed market economies the predicted recovery continued at a slow pace, although in some countries, most notably the United States, the pace of recovery had quickened. In Africa, growth performance remained highly unsatisfactory, economic problems in several countries being aggravated by political unrest and armed conflicts. In strong contrast to Africa, the countries of East and South-East Asia continued to achieve rapid growth and structural change. In Latin America and the Caribbean, growth as a whole had recovered since the debt crisis but was still below levels achieved in East and South-East Asia. In Central and Eastern Europe, with some exceptions, output continued to contract as the region struggled with obstacles to the transition process.

61. Although the Nordic countries acknowledged that positive changes were under way in many developing countries, they still stressed the necessity for good governance, respect for human rights, and democracy. Macroeconomic policies, structural adjustment programmes, market-oriented policies, and international trade agreements were not by themselves sufficient to produce sustainable economic and social development. Basic needs also had to be met if a sound basis for economic development were to be established.

62. The discussion in the TDR of developments in South-East Asia highlighted the potential of different policy approaches. The notion of the "visible hand" as the guiding principle for the success of government policies in South-East Asia suggested that coherent, selective government policies were necessary to advance a country's economic and social development.

63. For the poorest countries, official development assistance (ODA) remained crucially important. The Nordic countries regretted the stagnation of official flows and supported the aim of reaching 0.7 per cent ODA targets as soon as possible as well as the 0.15 per cent ODA target for least developed countries. The Nordic countries also supported action on the debt of the highly indebted low-income countries and noted that in many cases the enhanced Toronto Terms of the Paris Club were not sufficient to prevent the debt overhang from increasing. They welcomed the support in the Naples Communiqué of the Group of Seven for debt-stock reduction in appropriate cases and for an increase in concessionality for countries facing special difficulties. They hoped that these new terms would take effect before the end of the year.

64. The representative of **China** noted that, although the major developed countries had entered the phase of economic recovery, the economies in

transition were still in recession and there remained an imbalance in growth among developing countries. The development impetus of the world economy left little room for optimism. On the other hand, fast growth in East Asia had brought development and prosperity to that region, and, through the expansion of import-export opportunities and investment, was creating employment opportunities for other countries.

65. There were still unfavourable factors impeding the economic development of developing countries, including East Asian countries, such as inadequate improvement of the macroeconomic environment, instability of commodity prices, developing countries' foreign debt, the erosion of GSP schemes, and the obstinate trade protectionism of the developed countries. These factors had adverse effects on the stability and development of the world economy. It was to be hoped that the developed countries would demonstrate their political will by giving more attention to North-South dialogues and cooperation, simplifying and improving their GSP schemes, and reversing the trade protectionism trend.

66. An important experience from China's own development was the correct handling of the relationships among reform, development and stability. Nevertheless, it was only natural that countries should take different approaches to development and adopt different models of reform that took into account their national realities.

67. The representative of **Austria** said that national economies could not be, and ought not to be, shut out from the growing global integration, since such integration not only contributed to more efficient use of resources and effective realization of comparative advantages but also led to more equitable and sustainable growth and development. In contrast to 1993, economic prospects were now more encouraging, although significant disparities persisted. World trade had continued to grow and there was greater participation by developing countries, including that resulting from their own increased mutual economic integration. This was the outcome of comprehensive policies of structural adjustment and of increasing openness to trade and foreign direct investment. He was confident that countries with poor economic performance would also adopt efficient strategies of structural adjustment and greater integration into the world economy, influenced in part by the lessons of the successful experience of some Asian and Latin American countries.

68. Regarding divergences in economic performance among the developing countries, he suggested that in future attention should focus on the gap between the least developed countries and the rest, since this had implications for UNCTAD's work. The countries with economies in transition were faced with problems of particular complexity, and some of them should be counted among developing, or even the least developed, countries. The measures to be taken in favour of countries with persistent development problems should be adapted to their specific needs and clearly distinguished from the treatment given to countries that had already successfully entered or completed their take-off stage. One important step would be a reform of the generalized system of preferences that took account of the differences among developing countries. The Agenda for Development should include political factors influencing the general framework in which economic activity took place, such as transparency, democracy and participation in political and

economic affairs, human rights, women's rights, the rule of law, good government, the absence of corruption and proper use of public funds.

69. Finally, he expressed disagreement with the call in the TDR for lower interest rates in OECD countries, and he considered that some of the Report's expansionary fiscal policy proposals might also be counter-productive.

70. The representative of the **Czech Republic** emphasized the impact which varying initial conditions and pace of change as well as different transformation strategies had had on the transition process. The encouraging results in her country were based on cautious macroeconomic policies, the liberalization of prices, and systemic restructuring based on mass privatization. A balanced approach to economic, political and social factors in the transition process was also important. For the most part the transformation process should involve domestic measures and only a minor role should be assigned to the outside world. However, the task of integration into the world economy was more complicated than might appear at first sight. There was no automatic process of transition between a command economy and a market economy, and rapid creation of institutions was crucial for the process. Macroeconomic stabilization accompanied by the curbing of inflation, a balanced State budget, a surplus of the current account of the balance of payments, a low rate of unemployment, and - last but not least - foreign trade liberalization had been the cornerstones of the economic reform of the Czech Republic. Mass privatization and the increase in the share of the private sector from 2 per cent of economic activity in 1989 to an expected 89 per cent in 1994 was another major feature of the Czech road to reform.

71. The liberal foreign trade regime of the Czech Republic had become a predictable element of the world trading system. However, better access to foreign markets and fair application of the rules of trade and competition, in particular by OECD countries, was needed. Her country also considered Eastern European and developing countries as important trade partners.

72. The representative of **Hungary** supported the main finding of the TDR that there was no universal, failure-proof recipe for the development of a properly functioning market economy. The basic message of the Board to governments was to be pragmatic. While recognizing that the transition in countries of Central Europe was not a main focus of the TDR this year, he did not share the Report's scepticism concerning the future of this process. Hungary had no alternative but to continue the transition process on a highly pragmatic basis. These efforts were painful and burdensome, and thus called for patience and wisdom, especially in the short run, not only from Hungary's own population but also from other countries.

73. The representative of **Poland**, summarizing major features of the Polish experience of transition from a centrally-planned economy to a market-oriented one, said that the transition involved changes in such diverse areas as political institutions, the institutional and legal infrastructure necessary for a market economy, and people's mentality. Poland's bold transformation policies were showing results. After a period of decline in production, the Polish economy had started to grow again, the rate of inflation was slowing down, and the balance of payments was improving. The recovery had become durable.

74. The problems faced by economies in transition were similar, but each country could choose different solutions, while learning from experience of others. In this spirit, Poland had hosted the 1994 Conference of Ministers of Economy, Industry and Trade of the Group of Seven in Warsaw, together with the East-West Business Forum. The theme of the Conference had been "Partnership for Development", and in his opening speech the Prime Minister of Poland presented the concept of mutually beneficial and equal partnership between OECD countries and countries in transition aimed at stimulating economic development. Important decisions had been taken at the Conference.

75. The representative of the **International Monetary Fund** said that economic developments were looking brighter than in the past few years thanks to the completion of the Uruguay Round, intensified reform efforts in developing countries and the countries in transition, and appropriate macroeconomic policies in OECD countries which had returned to positive growth. Prospects for world trade had improved, and there seemed to be little risk of a generalized return of inflation in the near term.

76. But in the developing world there remained large disparities among countries. Those countries which had undertaken reforms were in a better position to take advantage of the new market opportunities, and recent capital flows had helped some countries to sustain relatively rapid growth. Even in Africa the outlook was beginning to improve.

77. Structural unemployment in OECD countries could not be effectively dealt with through the expansion of aggregate demand. Reforms in labour and product markets that increased flexibility and productivity were necessary. Fiscal consolidation and structural reforms should be given the highest priority, while monetary policy had to prevent the build-up of demand pressures and imbalances in asset markets.

78. The recent increase in real interest rates might soon pose new problems for indebted countries. The concern in the TDR over capital inflows into developing countries appeared to be unduly alarmist. A tax on foreign exchange transactions to reduce speculation was not an appropriate policy response, which should rather involve a judicious combination of stabilization, fiscal measures, and exchange-rate adaptation. One should also be careful in drawing broader conclusions from the experience of selected East Asian countries. Policy advice had to be country-specific and take account of historic, economic and cultural circumstances. The East Asian experience did not provide support for a larger role for Governments but rather for sound macroeconomic policies, coupled with measures that enhanced the working of markets.

79. The representative of the **United States of America** noted that the TDR advocated a return to Keynesian principles of demand management. It argued that a global deflationary gap and deficient demand required more relaxed monetary policies and more stimulative fiscal policies. However, this was not an adequate depiction of the economic problem facing OECD countries nor would looser monetary policy be appropriate at this time. While there was slack in the world economy, increases in capacity had occurred in the United States, the unemployment rate had fallen sharply, output was expanding steadily, and inflation was not increasing significantly. Economic growth required

improvements in underlying economic conditions. Counter-cyclical demand management policies should not be used to correct supply-side problems such as rigidities in the labour market and infrastructural bottlenecks. The TDR was insufficiently cautious about the possible pitfalls of using fiscal policy as a counter-cyclical device.

80. The Report mentioned the destabilizing effects of excessive financial openness and excessive capital inflows, but poor policy decisions could be made on the basis of this analysis. Selective safeguards against speculative attacks might be useful tools in some cases but a sound policy environment was the best way to bring about more predictable and beneficial capital flows. Improved financial disclosure and competition policies were essential in all cases. If resorted to, capital controls should be applied with restraint.

81. He took issue with some of the points in the Report concerning developing-country experiences. Its focus on moderate investment levels in Latin America and the Caribbean overlooked possible productivity improvements. Policy reforms in Latin American countries such as Chile, Argentina and now Brazil had affected resource allocation positively. Greater openness to the international economy provided signals for efficient investment, and the capital inflows implied the continuing existence of profit opportunities for outside investors. There were no empirical examples of countries where coercive income redistribution had helped to alleviate poverty. But over the longer term, productive investment did help alleviate poverty, and the effects of such investment on income distribution seemed to depend on the specific structural features of economies. The discussion in the Report of commodity prices overlooked forecasts by the World Bank, the IMF, and others of a firming of commodity prices over the decade The UNCTAD secretariat was right to repeat concerns about Africa's lagging development. But the negative comments about structural adjustment in Africa were too sweeping. A more detailed analysis of the nature and shortfalls of African adjustment efforts would have been useful.

82. He felt that the TDR could have based its lessons drawn from experience on a broader sample of countries. Little was said of other success stories in East Asia including that of China, which did not conform with these experiences. Moreover, the Report overlooked many of the factors that had contributed to economic growth in East Asia. There was little mention of investment in human capital and the cultural factors that supported this. The Report also overlooked various failures of government intervention, and scarcely mentioned the problems of transferring the East Asian model to other societies. Nevertheless, he did agree with the argument that export growth was not the sole measure of a country's competitiveness, and that the overall condition of a country's internal economy, including its income distribution, was also important.

83. The representative of **Iraq** stated that, while macroeconomic policies were important, it was essential that the international community provide appropriate economic and political infrastructure for expanded international cooperation. UNCTAD's capabilities in this area should be strengthened. Since global interdependence also involved the sharing of responsibilities, priority should be given to policies to deal with poverty.

84. The economic sanctions from which Iraq was suffering were retarding reconstruction and development. The economic embargo constituted a serious precedent in international economic relations since it was being used for unjustified political objectives and was contrary to the objectives of the international community regarding a new international partnership. He asked whether depriving 18 million people of food and medicine could be justified in the context of such a partnership. The embargo had isolated Iraq, which possessed the largest petroleum reserves in the world, from participation in international trade, and had caused a general deterioration in economic activity leading to negative growth rates.

85. There was no further justification for the continuation of sanctions which had become the main obstacle both to national development and to participation in regional and international cooperation. While Iraq was prepared to discuss the measures implied by the relevant Security Council resolutions in order to get the sanctions lifted or eased, political pressures were preventing any such discussion. He therefore called on the international community and the United Nations to rectify the situation and to end the violation of the right to development.

86. The representative of **Argentina** said that the kind of selective State intervention mentioned in the chapter of the TDR on the East Asian experience had also been used in Argentina, but with different degrees of success. The risk with subsidies was that they might be applied to an industry that did not have a comparative advantage. Such an industry would never pass the infant-industry stage and would not be able to compete internationally as the economy was liberalized. Interest rates were an essential policy variable, but they could not simply be managed by the national monetary authority. In the case of Argentina, low interest rates had resulted more from sound macroeconomic policy than from unilateral action by the monetary authority.

87. The Asian experience with fiscal policies had been most interesting since such policies had acted as a catalyst for investment, in particular by inducing firms to reinvest their profits instead of passing them on to shareholders. But it was not clear whether this was due to economic conditions or to sociological factors linked to the character of the business class. In the experience of Argentina, it had been possible to bring the investment rate back to the level of the 1970s only by achieving fiscal equilibrium, reducing the inflation rate, and reestablishing relationships with external creditors. Reduced interest rates had allowed his country to attain a ratio of net investment to GNP of 21 per cent in 1993 compared to one of 16.3 per cent in 1991. UNCTAD should continue to analyse the effect of interest rates on investment, taking the experience of the Asian countries as a benchmark.

88. Turning to the question of economic adjustment, he stated that Argentina's imports had been growing rapidly but their composition had changed in favour of capital goods. This could be taken as a signal that the economy was approaching its production frontier. The inflow of capital into Argentina had helped to finance this increase in imports. Countries undergoing adjustment were especially vulnerable to the monetary policies of developed countries. Disorderly monetary policies in OECD countries adversely affected

the inflow of capital that financed deficits in developing countries' trade balances, and made it more difficult for them to service their external debts.

89. The representative of the **Third World Network** expressed concern at the fashionable economic dogmas that were being thrust on developing countries. Market fundamentalism was deeply entrenched in the Bretton Woods institutions, and seemed likely to be so in the World Trade Organization. The UNCTAD secretariat was to be congratulated for studying experiences objectively and for challenging current fixed notions about the experiences in the OECD countries and in East Asia, as well as for advocating pragmatic and non-ideological approaches to solving the problems of the world economy. Whereas the chapter of the TDR on East Asia pointed to the need for the State to play an active role in the promotion of development, the part discussing the outcome of the Uruguay Round suggested that late industrializers among developing countries would be prevented from using several of the policy instruments described. Many obligations imposed under the Uruguay Round Agreements were motivated by the desire of OECD countries to throttle competition from developing countries, and to create more freedom for transnational corporations. The new trade agendas were not motivated by genuine concerns about the environment and labour, but by the desire to hold back the competitiveness of late industrializers. An important task for UNCTAD was to identify areas of policy leverage for developing countries and the new rules and disciplines likely to obstruct or stifle their economic development, and on this basis to make proposals for changes in international trading rules in order to offer greater latitude for policy makers in developing countries. There was little doubt that the new international trade order would create social disorder in the developing countries, and perhaps also in OECD countries. Developing-country societies were not ready to accept or adjust to the new liberal order, and civil protest movements against it were growing in all parts of the world.

90. The representative of the **International Confederation of Free Trade Unions** (ICFTU) said that there was widespread evidence that the world economy faced a global shortfall in demand. The IMF, which had always exhibited extreme pessimism concerning the scope for active, expansionary and non-inflationary policies, should reassess the basis for its macroeconomic policy recommendations. Reduced interest rates accompanied by expansionary fiscal measures were needed. ICFTU had often emphasized the huge contribution which should be made to global recovery by effective measures to raise purchasing power in developing countries. The majority of the countries of Sub-Saharan Africa had for some years experienced economic stagnation as a result of the debt crisis. The decision to cancel or reduce the debt of low-income countries reached at the Group of Seven Summit in Naples would need to be rapidly implemented at the same time as the debt of larger debtors was dealt with through reduction and rescheduling. In addition aid levels should be increased.

91. The statistics on growth and falling standards of living in many developing countries were frightening. The Bretton Woods institutions had an immense responsibility in this regard, because the policies they advocated had a direct impact on the lives of billions of people. Their policy prescriptions did not sufficiently take into account the needs of the large majority of the world's citizens, but instead were oriented towards the

financial interests of wealthier member countries. An examination of the historical record of development bore witness to the key contribution made by active government policies, ranging from human resource development (especially education) to the provision of adequate infrastructure. Another lesson of economic development was that the most successful economies were built upon a strong and stable system of labour relations. The creation of the new World Trade Organization could give a boost to trade, employment and incomes worldwide. However, this new momentum should also be directed towards an improvement of working conditions for workers.

92. The **Officer-in-Charge of the Global Interdependence Division**, commenting on some of the points raised in the debate on agenda item 2, expressed his appreciation for the generally constructive tone of the discussions. He stressed that it was not the intention of the analysis in the Trade and Development Report to propose demand management as a solution to all the problems of the OECD economies. It could not replace structural policies. Moreover he was in full agreement with many speakers about the importance of controlling inflation and achieving fiscal balance. Nevertheless, more attention needed to be given in policy-making to the potential contribution of demand management. Concerning the particular recommendations on policy stance in the Report, he noted that these were for fiscal stimulus only in Japan, and for monetary relaxation in Europe and Japan but not in the United States. Mention had also been made of the need for caution in tightening the fiscal accounts in Europe.

93. Concerning East Asia, he emphasized that the Report did not suggest heavy-handed intervention. The lessons drawn from the examination of the experience of this region suggested rather the need for pragmatism and policy approaches adapted to the particular complex problems faced by governments. The countries were chosen for the Report's analysis on the basis of the criterion that they had, to a significant extent, achieved many of the central features of developed economies. Answering the point made in the debate that the Report had neglected such factors as the quality of administration and investment in education, he agreed that these were indeed important, but said there was a need to discuss features of the East Asian experience whose contribution to economic success had been less generally appreciated.

94. He said that the TDR had not argued in favour of generalized controls on capital inflows. Rather it had focused on the problems caused by short-term - especially speculative - capital movements for economic management. Administrative or market-oriented measures to deter such inflows should not be taboo. In this context he drew attention to the measures taken by Chile, a country with a market-oriented approach to economic policy, to prevent capital inflows adversely affecting its competitiveness via an appreciation of the exchange rate.

95. He noted the broad agreement between UNCTAD and others on the objectives of macroeconomic policy in OECD countries. The differences related to tactics. The view expressed in the Report was that there was enough slack in many OECD economies to allow lower interest rates without the fuelling of inflation, and that acceleration of the recovery would itself improve public finances by increasing tax revenue and decreasing public expenditure. Further fiscal consolidation should wait until the recovery was robust. Currently,

fiscal tightening in Europe would have adverse effects on profits, business expectations, and activity which would outweigh any increased credibility in financial markets.

96. At the 851st meeting, on 28 September 1994, the Vice-Chairman (Russian Federation), introducing the draft agreed conclusions on agenda item 2,* said that the informal consultations which he had chaired had involved a serious and well-argued debate. Consensus had been reached on almost all the issues raised in the preliminary discussions held during the current session, and he felt that the text of the draft agreed conclusions rounded off the discussions in a well-balanced and satisfactory manner.

Action by the Board

97. The action taken by the Board on agenda item 2 is reported in TD/B/41(1)/14(Vol.I), section I.A. (see agreed conclusions 417 (XLI)).

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* Subsequently circulated in TD/B/41(1)/L.4.

Chapter II

FOLLOW-UP TO THE RECOMMENDATIONS OF THE CONFERENCE AT ITS EIGHTH SESSION

(Agenda item 3)

Role and functioning of the executive sessions of the Trade and Development Board

98. For its consideration of this item, the Board had before it the following document:

> "The role and functioning of the executive sessions of the Trade and Development Board" - note by the UNCTAD secretariat (TD/B/41(1)/CRP.1).

99. Introducing the note by the secretariat on this item, the President recalled that the question of the role and function of the executive sessions of the Board had been the subject of discussion for some time. It had been generally felt that the guidelines adopted by the Board at the second part of its thirty-eighth session needed further refinement in order to bring the terms of reference of the executive sessions more into line with the intention of the Cartagena Commitment.

100. The spokesman for the **Asian Group** (Indonesia) said that the secretariat note gave a clear picture of the way in which the executive sessions had functioned so far. These sessions had played a meaningful role, but it was clear that improvements needed to be made in the way they functioned on both procedural and substantive issues. Referring to the proposals made by Switzerland as reproduced in the secretariat note, he expressed support for the idea that the executive sessions should be convened in two distinct types of meeting: (i) pre-sessional executive sessions which would deal with procedural and administrative matters; (ii) executive sessions meeting at regular intervals to deal mainly with substantive and policy matters, focusing in particular on the setting of priorities among substantive issues in order to ensure the best use of available resources. Ideally the secretariat should arrange for such sessions to take place one or two months before the regular session of the Board. Finally, he agreed with the proposal that the executive sessions should be structured in such a way as to allow for informal meetings as well as formal plenary meetings.

101. The spokesman for the **European Union** (Germany) observed that the Conference had established the executive sessions with a view to strengthening the role of the Board. The secretariat note gave a good account of the problems involved and the European Union by and large shared the views and proposals put forward in that note by the delegation of Switzerland, albeit with some reservations. In addition there were several lessons to be drawn from the experience of the executive sessions held recently. In line with paragraphs 11 and 12 of the Board's conclusions on the mid-term review, the European Union felt that the executive sessions should reinforce the Board by relieving the regular sessions of a number of items and by dealing with those issues that required urgent attention between the regular sessions. On the whole, he felt that the pre-sessional executive sessions had a positive

record, as demonstrated by the recent seventh executive session. That session had enabled delegations in Geneva to report to their capitals on the state of preparations for the current regular session of the Board, thereby facilitating the work of representatives coming from the capitals. In contrast, the performance of the thematic inter-sessional executive sessions, as the example of the recent sixth executive session indicated, had not been wholly satisfactory or conclusive. This may have been due in part to the fact that the main substantive item dealt with at that session - i.e. the policy review of technical cooperation - was initially scheduled to be considered at an executive session held before the summer recess. The fact that the session had been deferred until the week before the regular session had meant that that week had proved to be a very busy period. Therefore he considered that the inter-sessional executive sessions that dealt with specific themes should be well prepared in advance, including the timely distribution of documents, and should deal with items that did not call for consultations with capitals, in order to ensure that decisions could be taken by the Board independently in the time available. He agreed with the Swiss delegation that time should be allowed for items to be considered in informal meetings and that the executive session should be confined to one day. In this respect, he felt that the executive session scheduled for November/December 1994 to deal with the follow-up to the United Nations International Symposium on Trade Efficiency was a good example of how the executive session should be prepared and function. In short, he considered that it was dangerous to place on the agenda of executive sessions any item that called for a broad discussion and consultation with capitals. Finally, he agreed that the Board should now reexamine the general principles governing the executive sessions and that, as a first step, the matter could be referred to the monthly Consultations of the Officer-in-Charge of UNCTAD.

102. The representative of **Switzerland** said that the note by the secretariat provided a good basis for the examination of this question and he supported the proposals for the future course of action. He also supported the view expressed by the spokesman for the European Union concerning the organization of the executive session to deal with the follow-up to the United Nations International Symposium on Trade Efficiency. The Swiss authorities remained committed to the executive sessions as a very good management and policy-making tool, as had been pointed out by the representative of Indonesia. For his part, he felt that piecemeal reform and trial and error were the best approach to the task of improving the functioning of the executive sessions.

103. The representative of **Mexico** said that the executive sessions had already demonstrated their value as a good mechanism but there was still room for improvement. He believed, however, that any reassessment of their functioning should be undertaken in the light of the review of the duration and focus of the regular sessions to be carried out by UNCTAD IX. In the view of his delegation, substantive issues should be taken up only at regular sessions of the Board; the executive sessions should deal with procedural matters such as the admission and status of IGOs and NGOs, administrative matters, provisional agendas for future sessions of the Board, and the calendar of meetings. With reference to paragraph 10 of the secretariat note, he doubted whether it was appropriate to discuss substantive items in the executive session, since the experience of the sixth executive session showed that one day was not

sufficient to cover such items, particularly if there were to be both formal and informal meetings and the negotiation of a decision. However well prepared the session might be, such a format would require at least two days and possibly three. It was for that reason that his delegation took the view he had just expressed. Finally, his delegation supported the decision for further action proposed in paragraph 15 of the secretariat note.

104. The representative of **Norway** considered that the seven executive sessions that had taken place since UNCTAD VIII provided sufficient experience to enable the Board to redefine the role and functions of this mechanism. The executive session was not an end in itself, but a means of facilitating the Board's decision-making between regular sessions. He felt that the focus of such sessions should be largely administrative and that they should be preceded by informal consultations which could, if appropriate, be the monthly Consultations of the Officer-in-Charge of UNCTAD. At UNCTAD IX there would be a further opportunity to take a closer look at the whole system.

105. The representative of **China** said that the note by the secretariat enabled delegations to gain an overall systematic grasp of the executive sessions that had been held since UNCTAD VIII. He recalled that the executive sessions had been created in order to improve the efficiency of the Board and that their role and functions had been reaffirmed at the mid-term review in May 1994. Experience so far indicated that they had served a useful purpose and that the mechanism was effective and valuable. Precisely because the mechanism was relatively new, however, its role and functioning needed to be constantly perfected. The mid-term review had put forward some useful suggestions for the improvement of the mechanism which should be given serious consideration. At the same time, since the executive sessions were closely related to the regular sessions of the Board and since various participants in the mid-term review had recommended that the question of the format and functioning of the Board itself should be deferred to UNCTAD IX, he felt that the existing situation should in general be maintained. Nevertheless, he agreed that the monthly consultations of the Officer-in-Charge of UNCTAD should study the whole issue of the executive and regular sessions of the Board in time to facilitate the review to be carried out at UNCTAD IX.

106. The representative of the **United Republic of Tanzania** said that his delegation attached great importance to the executive sessions and to the discussions that would prepare the way for consideration of this issue at UNCTAD IX. He considered that any decision on this issue should be subject to approval by the Conference. Finally, he agreed that the matter could be considered further in the monthly consultations of the Officer-in-Charge of UNCTAD.

Action by the Board

107. At its 850th meeting, on 23 September 1994, the Board decided, in the light of the need for further wide-ranging exchanges of views on the subject, to request the Officer-in-Charge of UNCTAD to place this matter on the agenda of a future monthly Consultation, and urged delegations in the meantime to submit their comments and views to the secretariat in writing.

Chapter III

SUSTAINABLE DEVELOPMENT: TRADE AND ENVIRONMENT - THE IMPACT OF ENVIRONMENT-RELATED POLICIES ON EXPORT COMPETITIVENESS AND MARKET ACCESS

(Agenda item 4)

108. For its consideration of agenda item 4, Sessional Committee I had before it the following documentation:

> "The impact of environment-related policies on export competitiveness and market access: report by the UNCTAD secretariat" (TD/B/41(1)/4).

109. The **Officer-in-Charge of the International Trade Division** expressed the hope that the Board's discussions on market access and export competitiveness would further UNCTAD's analytical work, as well as the consensus-building process. The Board might also wish to provide guidance to the work of the Ad Hoc Working Group on Trade, Environment and Development, the terms of reference of which included an examination of the effects of environmental policies, standards and regulations on market access and competitiveness, and outline areas where more detailed analysis was needed. Discussions at the Board and in the Ad Hoc Working Group could also provide useful inputs to the work of GATT/WTO.

110. Environmental policies were likely to have an increasingly significant impact on market access and export competitiveness, particularly of developing countries, for a number of reasons. First, as environmental policies became more stringent and more comprehensive, their potential effects on market access and competitiveness were greater. Second, with the growing integration of the world economy, domestic policies, including environmental policies, might increasingly have consequences for international trade. Fears that environmental standards in developed countries might act as non-tariff barriers were dominating the debates on trade and environment in developing countries. Third, the environmental quality of products and production processes was becoming more important as a factor in international competitiveness and might increasingly influence business strategies. Fourth, environmental policies, standards and regulations, apart from contributing to environmental improvements, were the major driving force of the "environmental sector", which was seen as a source of market opportunities and job creation.

111. With regard to product measures, the secretariat's report covered two broad categories: (i) those which could be characterized as technical regulations and fell within the ambit of the Agreement on Technical Barriers to Trade; and (ii) newly emerging measures, such as recycling, packaging and eco-labelling requirements, with which international trade rules were less familiar. Product regulations might act or be perceived as non-tariff barriers when they lacked transparency, when procedures were discriminatory or complicated, or when their scientific justification was weak. Case studies conducted in developing countries showed that the trade effects of product measures had been significant in specific sectors and product categories.

112. With regard to the linkages between competitiveness and process measures, concerns were now focused on the impact of such standards on production costs of regulated firms and sectors. In the short run, the need for a particular firm to comply with process standards simply added to its production costs and could cause it to suffer a competitive disadvantage. Firms might call for trade measures ostensibly to level the competitive playing field. However, empirical analysis indicated that the case for such measures was weak. Developing countries were moving towards more stringent and more comprehensive process requirements in response to domestic concerns. Nevertheless, the impact of process standards on their export competitiveness might be significant, in particular when such standards did not reflect their environmental and development conditions. Adjustments made in response to outside pressures might be particularly burdensome and yet might fail to contribute to any significant improvement in the environment in the exporting country.

113. Concerning the policy recommendations of the report, the potential adverse effects of product-related standards could be mitigated by adequate transparency and notification procedures and by the dissemination of timely and accurate information to exporters. As regards process standards, a judicious combination of regulatory measures and economic instruments might be needed in the search for cost-effective solutions in both developed and developing countries. Finally, international initiatives should be encouraged for the transfer of environmentally sound technologies, supported by adequate financing. Trading opportunities for environmental goods and services, particularly from developing countries, should be explored.

114. The representative of **Argentina** said that some of the instruments included in national environmental policies, such as product and process standards and packaging and labelling regulations, were positive, but they must be accompanied by changes in consumption patterns, which could only be achieved by internalizing environmental costs. The first step to be undertaken towards internalization of environmental costs was the elimination of subsidies which generated negative environmental externalities.

115. The different sets of standards for food products implemented in different countries had resulted in compliance problems for foreign producers. However, important efforts towards harmonization had been carried out by Codex Alimentarius, and the new Agreement on Sanitary and Phytosanitary Measures, negotiated in the framework of the Uruguay Round negotiations, ensured that sanitary and phytosanitary measures were not going be used as a pretext to protect domestic markets.

116. Eco-labelling programmes were, in principle, positive instruments of environmental policy, but there was a risk of potential negative trade effects. Eco-labelling programmes which included process-related criteria not related to the final product were not covered by the provisions of the Agreement on Technical Barriers to Trade (TBT) and fell into a "grey" area. There was, therefore, a need to find an international "consensus" in this area, and he stressed the positive role that UNCTAD and ISO could play. For eco-labelling to play a positive role for the environment without hampering international trade, it should aim at environmental and not at commercial protection; criteria related to processes should be based on existing

conditions in the producing country, rather than in the consuming country; foreign producers should be consulted before the establishment of the criteria; and eco-labelling programmes should aim at mutual recognition. The discussion in GATT on packaging had helped clarify the issue and had led to a consensus that regulations had to comply with the provisions of the TBT Agreement. There also had to be new thinking about harmonization and mutual recognition in this field. The Ad Hoc Working Group on Trade, Environment and Development could address this issue.

117. Finally, with regard to his country's concerns on regulations which required a recycled content either on products or packaging, a distinction should be made between those regulations which made reference to recyclability and those which referred to recycled content. Measures belonging to the first category were meant to regulate externalities in the consuming country, while those in the second category were meant to address externalities in the producing country. When environmental externalities had an impact only within the territory of a country, no other country had the right to interfere by imposing, in an extraterritorial manner, its own measures. In that connection, foreign producers might be requested to comply with recycled content regulations only if these regulations referred to recycled materials which were readily available in the producing country; secondly, regulations which imposed recyclability of products or packaging could be imposed on foreign producers only if they regulated environmental externalities in the consuming country. The only exception to this rule would be in the case of different measures set up in the framework of multilateral environmental agreements.

118. The spokesman for the **Asian Group** (Islamic Republic of Iran) said that when developing countries imported machinery from developed countries, they could not be denied access to those countries' markets for the products manufactured with the imported machinery simply on environmental grounds. In that connection, the establishment of a solid infrastructure in the developing countries was a prerequisite without which the development process, even if initiated, would not become sustainable. It was also essential to set up the socio-cultural foundations necessary for nurturing environmental consciousness through public education and also specialized and technical training.

119. While supporting the conclusions of document TD/B/41(1)/4, the Asian Group was wary of the possibility that environmental measures might be used as non-tariff barriers, particularly by the industrialized countries against developing countries. The sanitary and environmental quality of developing countries' products could be improved both through greater multilateral commitments for the promotion of sanitary and phytosanitary standards and through greater availability of capital investment and technical assistance from transnational corporations and industrial banks with a view to, for example, the establishment and expansion of facilities for the processing of raw materials into higher-value-added goods and ultimately their overseas marketing. He also hoped that foreign capital could be utilized to carry out small infrastructural projects in the developing countries, wherever there were viable trade opportunities.

120. UNCTAD had made considerable efforts with regard to developing general policy outlines for sustainable development, and it could contribute further

by mobilizing funds and expertise under environmental cooperation programmes supported by the major industrialized nations. To actualize and promote such cooperation, a multilateral framework was required to provide enough momentum and resources to undertake pilot projects in specific priority industries of developing countries allowing mass production of marketable goods. Technical assistance from the industrialized world in favour of the developing countries was also required to cope with environmental problems caused by past exports of defective machinery and hazardous materials.

121. The representative of **Austria** said that some of the issues relating to the trade effects of environmental policies were already adequately covered by the rules of the world trading system. Accordingly, food standards and product requirements which were established to protect health and animal welfare should not be at the centre of interest in UNCTAD, where analysis should concentrate on areas in which the relationship between trade and environment was not yet adequately covered by the system of international rules.

122. With regard to the relationship between process standards and competitiveness, he agreed that this issue was part of the UNCTAD agenda. The lack of compliance with environmental standards might often provide a producer with a significant competitive advantage. For the sake of more methodological clarity, however, the general orientation of work should rather be to endeavour to obtain a more differentiated view of the whole spectrum of measures with an environmental objective. In the analysis prepared by the secretariat, consideration was given to the different issues that might arise out of the fact that different environmental effects emanated from various processes and production measures. It might be quite helpful to look at whether a certain measure addressed a global, regional, transboundary or local environmental concern.

123. He questioned the secretariat's conclusion that the competitiveness debate might unduly expose developing countries to pressures to devote more resources to certain environmental improvements rather than choosing on the basis of their own environmental and developmental conditions and priorities and of whether the risk of protectionist abuse was high. While he shared the secretariat's concern that trade-related environmental measures should not be used as a disguised measure for protectionist purposes, it should not be taken for granted that any environmental measure was protectionist. The environmental impact of a given measure, as well as other effects such a measure might have, should be examined on a case-by-case basis, taking into account the environmental purpose, as well as the effects of other measures which might equally have contributed towards the achievement of the proposed environmental goal.

124. He looked forward to the deliberations of the Ad Hoc Working Group on Trade, Environment and Development. A carefully balanced policy mix of command and control on the one hand and economic instruments on the other hand was necessary to achieve the environmental goals set by a given society. While the harmonization of policies, approaches and standards might be a laudable goal, an international consensus had usually been difficult to achieve, and global harmonization had often tended to level down standards. Environmental measures could and should have a catalytic effect, and producers

adopting higher environmental standards had often at the same time improved their access to markets for their products. On most occasions environmental measures were brought about by a change in consumption patterns in the importing country. It might be helpful to deal in the future with trade effects which were intended and which could be justified because they were intricately linked to a legitimate environmental objective.

125. The representative of **Indonesia** said that, when dealing with environmental issues, it should be borne in mind that, although in the long run environmental policies contributed to the sustainable development of developing countries, in the short term they had an unavoidable economic and social cost. In view of the sacrifices made by the developing countries to comply with the commitment to improve the environment, policies and measures should not be misused as tools for the protection of domestic industries. The causes of such barriers could usually be traced to a lack of transparency (belated and inaccurate information) or discriminatory and complicated procedures. Whatever the root causes were, in many cases environmental concerns were superseded by considerations of competitivity.

126. Standardization, harmonization and internalization of externalities could only be achieved through international cooperation on standards and harmonization, transfer of so-called "clean technology", financial assistance, capacity-building and improvement of market access. In relation to trade in hazardous waste, she expressed concern over the fact that in most cases recycling or recovery was simply a pretext, and that shipments of apparently innocent waste had subsequently been proven to contain a variety of hazardous waste, including hospital waste and industrial sludge. Over 90 per cent of such shipments originated in certain OECD countries.

127. Developing countries had originally adopted environmental policies and measures which reflected their national priorities on development. However, since environmental policies were very closely linked to trade, the developing countries had no choice but to adjust to the environmental standards imposed by importing countries. This should not continue.

128. The newly established Ad Hoc Working Group on Trade, Environment and Development could play a significant role in addressing issues related to eco-labelling and eco-certification schemes. This issue was of particular importance to Indonesia, which had already encountered problems with several importing countries. In this context, she stressed that eco-labelling and eco-certification must be based on mutual recognition, and efforts should be made to establish national regulatory measures that took into account the priorities of Indonesia's national development.

129. The representative of **China** said that the international debate on the interlinkages between trade and environment was becoming increasingly important and that efforts were being made to reconcile environmental and trade policies and to make them mutually supportive, as well as to eliminate possible negative impacts. In that connection, product-related and process-related regulations might affect market access and competitiveness, in particular in the case of developing countries.

130. Economic development and environmental protection in developing countries were at a relatively low level because of insufficient financial resources, infrastructure and information. In addition, the sectors in which developing countries were particularly competitive, such as textiles, footwear, agricultural products and mining products, were those most affected by environment-related trade measures in export markets. Developing countries were therefore in a very difficult situation involving a vicious circle in which they were not able to comply with the new environment-related requirements in importing markets, were losing market share and thus had fewer resources for environmental improvements. No country had the right to impose its environmental regulations on other countries or to create new obstacles in international trade. Developing countries needed to strengthen their economic development. Increased market opportunities and competitiveness were the most appropriate means for reaching a higher level of economic development, which was a precondition for environmental improvement. Developed countries should recognize this and grant differential treatment to developing countries' products.

131. Product-related and process-related standards should be set up according to the level of economic, environmental and technological development of different countries, and the same standards could not apply to developed and developing countries. Transparency was a key issue, and there was a clear need to ensure complete transparency of environmental policies and regulations. This should be coupled with technical cooperation, where UNCTAD had an important role to play.

132. In order to ensure that environmental and trade policies were mutually supportive, international cooperation was required in areas such as eco-labelling, eco-packaging and product regulations. Developed countries had a moral obligation to provide developing countries with technical and financial assistance, as well as to help them to set up mechanisms and institutions to improve their environment. UNCTAD's contribution in this field might focus in particular on policy analysis, information and technical cooperation to help developing countries participate more actively in international negotiations.

133. The representative of **Japan**, while commending the secretariat for its report, said that it would be inappropriate to rush in order to reach substantive conclusions on this extremely complicated issue. The terms of reference of the Ad Hoc Working Group on Trade, Environment and Development clearly focused on the examination of the effects of environmental policies on market access and competitiveness, and the Board could therefore give guidance for the future work of the Ad Hoc Working Group.

134. Each country had the legitimate right and the responsibility to design and implement its own domestic policies, and such policy decisions should be respected. Thus, even if environmental policies had an effect on trade, they should not be questioned for that reason only, provided they had been adopted in an open, equitable and non-discriminatory manner. If a country had established strict environmental standards, market access to that country might be influenced, but it was not appropriate to regard such standards as constituting a non-tariff barrier.

135. Environmental standards were no different in this respect from other product standards relating to quality or public health, and meeting such standards should be considered a prerequisite for entering a demanding market.

136. By the same token, his delegation had doubts about the notion of "eco-dumping". When one country had less stringent or less strict environmental standards than another, it was again a policy choice of that country. Even though the products of this country were, because of this, better situated than the products of other countries in international competition, it should not be criticized for that. Nor should it be accused of "eco-dumping". Actually, however, he doubted whether advantages from lax environmental standards really existed.

137. His delegation recognized the need to improve transparency and the importance of international cooperation to assist developing countries to reconcile environment, trade and development policies. UNCTAD was in a good position to analyse the real and possible advantages and disadvantages for developing countries in the field of trade and environment and to find ways to widen the policy options of developing countries through various measures including capacity-building, technology transfer and the use of financial resources from both the public and the private sectors. Trade could be compatible with the environment, and they might even be mutually reinforcing.

138. The representative of **Switzerland** said that the strict environmental legislation implemented by developed countries resulted in pressure being generated for international harmonization of standards and regulations. This pressure originated in the fear of developed countries that they would become less competitive, and was thus the result of economic and not environmental considerations. For their part, developing countries were also afraid of losing market access for their products because of the new environment-related measures developed by the importing countries. Economic reasons were thus playing an overwhelming role in a field which should be governed by environmental concerns.

139. Harmonization of product standards and regulations might be effective, both from an environmental and an economic point of view, for the consumer, but the same might not be true for the producer. This was especially the case when economic and environmental conditions differed dramatically between producing and consuming countries, as when a product manufactured in the South was consumed in the North. She therefore agreed with the secretariat's position that harmonization of product regulations might be regarded as a suitable objective, while harmonization of process regulations would be unjustified.

140. Instruments such as eco-labels should be kept voluntary and should not be used to stop products at the border. Governments might support these initiatives by, for example, keeping information and transaction costs low, especially when small enterprises were involved, or by supporting and coordinating the initiatives in question. The Government's role should be to ensure that market access was preserved, and not to limit it.

141. Transfer of technology was a precondition for developing countries to improve their environmental infrastructure. Developing countries had, however, an important role to play by creating favourable conditions for attracting foreign technology. Switzerland, in collaboration with the private sector and several NGOs, was in the process of developing criteria for the transfer of technology to developing countries.

142. Finally, she agreed with the secretariat that better market access would represent a very good way to improve developing countries' competitiveness in both the environmental and the economic field.

143. The representative of **Mexico** said that one of the major trade restrictions that faced developing countries consisted of non-tariff measures, which were now proliferating on environmental grounds. The processes of development, industrialization and consumption had cumulative effects on the environment and on natural resources, and effects might be difficult to correct without international cooperation in favour of sustainable development. At the same time, for developing countries to be able to rationalize the use of natural resources, political will was needed to change economic patterns, ensure a better distribution of income, promote development, and achieve a proper distribution of technological innovation. In that connection, he wondered whether developing countries should assume responsibility for the use of technologies which were frequently environmentally obsolete, and he suggested that special preferential treatment should be given to developing countries in terms of access to environmentally friendly and safe technologies.

144. The use of measures that resulted in trade distortions should be avoided, as they could be counter-productive in terms of environmental objectives, particularly for developing countries. The best way to determine whether standards or policies constituted trade barriers was to assess whether they were designed to discriminate in favour of domestic producers. UNCTAD should assist countries in identifying trade barriers introduced on environmental grounds, as well as in determining the most effective policies for combating such barriers. It should continue with studies on eco-labelling and with national case-studies on reconciliation of trade and environment policies. Its technical cooperation activities should be reinforced through seminars, studies and policy analysis. Negotiations on priority issues in the framework of the Ad Hoc Working Group on Trade, Environment and Development would enlarge the knowledge base of the developing countries.

145. The representative of **Australia** addressed three important preoccupations: first the concern that industries located in countries where standards were stricter might suffer a reduction in competitiveness that might lead to relocation towards countries with less stringent standards; second, the worry that efforts to internalize environmental externalities might result in loss of competitiveness for developing countries in view both of the importance of price factors for them and of their need to update their technology to meet environmental standards; and third, the concern that labelling, packaging and recycling schemes might create market access barriers, in particular for developing countries.

146. Although empirical studies to date had not shown any significant impact on trade and location decisions, except in specific sectors and product categories, the increasing use of environmental policies commanded further study. In this respect he noted the key role of transparency, non-discrimination and international cooperation in minimizing the impact on trade of environment-related policies and eco-labelling.

147. Unduly focusing the debate on process standards involved the risk that developing countries might be pressured into diverting resources from standards reflecting their own conditions and priorities. In that connection, the most important environmental issue for developing countries might be infrastructure. This was particularly worthy of further research.

148. While strict environmental standards might promote technological innovation, lax ones might encourage inward-oriented uncompetitive industries. In this respect, however, it was essential to ensure that developing countries had the capacity to participate in dynamic changes related to technological innovation. This last point too was particularly worthy of further research.

149. Finally, UNCTAD had an important role to play in finding cooperative solutions for advancing both environmental goals and development-enhancing trade.

150. The representative of the **Democratic People's Republic of Korea** said that issues concerning trade and environment should be resolved through broad international cooperation in all fields - political, economic and social. In considering environment-related trade policy, attention must be paid to the real problems faced by developing countries so as to deal properly with impacts on trade competitiveness and market access. Efforts to formulate environment-related trade policy should not put a brake on the production and trade activities of developing countries, but should contribute to the development of their economies.

151. In addition to the financial commitments they had already undertaken within the United Nations framework, developed countries should commit themselves to providing additional financial support to facilitate the formulation and implementation of the environment-related trade policies of developing countries. They should also take appropriate steps to prevent protectionist practices that impeded exports from developing countries, and they should prevent the relocation of harmful industries and the disposal of industrial wastes in developing countries.

152. He stressed the importance of information on available technologies for developing countries' trade and environment policies. Special attention should also be paid to ensuring sustainable development in the least developed countries in Asia and Africa.

153. The representative of the **Republic of Korea** stressed the need for further deliberation on issues concerning product measures and market access. In this context, further analysis should be carried out not only on food standards but also in other sectors, since he believed that technical regulations and standards could have potential trade effects. Environmental measures applied in the form of technical regulations and standards should be compatible

with the provisions of the Technical Barriers to Trade and Sanitary and Phytosanitary Agreements and with the principles of necessity, proportionality and transparency. It was to be hoped that the work of ISO in the field of environmental standardization would be subject to a trade impact assessment, and developments in ISO should be appropriately monitored and coordinated within the UNCTAD framework.

154. Recycled packaging requirements, the emergence of take-back obligations, and potential trade impacts resulting from voluntary measures were matters for concern, since such measures could have adverse effects for foreign suppliers, and in particular small suppliers from developing countries. Considering the potential advantage to domestic suppliers of recycling and disposal programmes, a means to enhance ex ante transparency and information exchanges for foreign suppliers should be devised, in particular for suppliers from developing countries.

155. Process standards and regulations in developing countries were often similar to standards in OECD countries, but due to lack of technology and resources to strengthen environmental standards, enforcement was weaker. Product policies and their implementation greatly influenced trade and competitiveness, and policy development trends and their implications should therefore be considered by the Ad Hoc Working Group on Trade, Environment and Development. The latter should take a holistic approach to trade and environment issues, and both the Trade and Development Board and the Ad Hoc Working Group should cooperate with other relevant forums.

156. The representative of the **United States of America** said that he appreciated the efforts of the UNCTAD secretariat to construct a common understanding of the issues related to trade and environment, and he welcomed the clear exposition on the fact that lax environmental standards might later entail higher costs in abatement and resource degradation, and might support inefficient and non-competitive industries.

157. By and large, environmental measures were adopted to protect precious and fast-diminishing environmental resources. They were based on solid technical and environment assessments and did not simply reflect political responses to unfounded public fears. The secretariat's report had put too much emphasis on such fears and too little emphasis on the rational basis for environmental protection.

158. Further imbalance was demonstrated by the reference to three bans in relation to loss of export revenue. Only one ban was mentioned in any detail, and no factual evidence had been given to show any revenue loss pursuant to the other two bans. No facts had been given concerning the risk reduction resulting from the bans. In another section, the report questioned the practical application of life-cycle analysis but failed to develop any argument concerning such doubts. To retain a balanced perspective, the report should acknowledge any limitations that may exist, but should recognize that the concept could be developed.

159. The report might also contribute to a general misapprehension regarding the purpose of packaging and labelling requirements. Packaging requirements focused on long-range solutions to the problem of waste disposal and the use

of primary materials. Recycled content was a key element in the attempt to reverse the dangerous reliance on primary sources for packaging material. While the United States recognized the possible impacts of extending recycled content regulations to imports, the limited discussion to date did not justify a distinction being made between recyclability and recycled content regulations. The existence of differing impacts among countries or industries was inevitable, and should not be used to constrain reasonable rules to protect the environment.

160. The secretariat's report underscored that eco-labelling and packaging criteria should be developed in a transparent manner. The United States supported the secretariat's endeavours in urging nations to develop valid provisions which did not act as disguised barriers to trade. Eco-labelling provisions should not be scientifically unjustified or more administratively complex than necessary, and the special needs of the LDCs must be taken into account in establishing labelling and packaging requirements. However, nations must work together to find progressive methods of moving forward in this vital area.

161. The secretariat's report inferred that even information requirements might present trade barriers. Information dissemination represented an important step towards educating consumers in the hazards associated with products, and the related programmes were generally voluntary. There was little evidence that they substantially affected market shares, with consumer preferences still mainly linked to price. The United States felt confident that exports would not be adversely affected, and most nations would willingly participate in labelling programmes.

162. With regard to the alleged disproportionate impact on natural-resource-based products and the high compliance costs that would make LDCs non-competitive, further analysis was required. Many new technologies were simple and more efficient and would actually improve competitiveness.

163. Basic infrastructure, such as sewage, should be a top priority. However, development and environmental protection were symbiotic, and for economic development to be truly sustainable, the choices available to future generations must not be narrowed through the destruction of ecological systems. For instance, preventing deforestation improved sewerage and drainage as it stopped run-off and floods, and improved air quality could measurably decrease the costs of health care. The secretariat's report should have given a more complete picture of the economic costs and benefits of environmental protection.

164. The United States emphatically supported trade liberalization as an essential component of economic development. The secretariat referred to food standards as potentially causing market access problems and thereby hindering development, but that was precisely why the Sanitary and Phyto-Sanitary (SPS) Code had been negotiated in the Uruguay Round. Trade liberalization and the process of making standards more compatible, with appropriate environmental provisions and safeguards, would support market access and spur sustainable economic development.

165. The United States was concerned that the study referred to in paragraph 9 of the secretariat's report might, to some degree, present a false set of choices. The study referred to the lack of harmonized health standards as an impediment to trade. One point underlined by the SPS agreement was that the level of freedom from risk reflected in the health standards set by countries was a sovereign decision. Science could identify risks and means of avoiding them, but decisions on acceptable levels of risk were a societal choice. This could explain and respond to the concerns noted in paragraph 34 of the secretariat's report over "the perceived lack of scientific data for specific thresholds or limit values". Therefore, while it was a truism to say that lack of universal standards was an impediment to trade, it was important to think carefully of what the alternatives were. It would be unrealistic to expect Governments to accept standards that resulted in a lower level of protection than they believed necessary for the sake of harmonization. Therefore, where differences in standards resulted from different societal choices of acceptable risk, harmonization might only be possible based on all parties accepting the highest level of protection chosen by any party. Any further analysis of these issues should consider the implications of following this path.

166. Trade and environment issues increasingly crossed paths in ways that initially seemed conflicting, but for the export sector as a whole, environmental regulations and consumer preferences were not found to cause major trade distortions. Nations would move forward despite the difficulties presented by these complex issues to develop progressive and disciplined solutions. A balanced and constructive presentation of these issues would move nations closer to finding mutually acceptable solutions.

167. The representative of **Finland**, speaking on behalf of the **Nordic Countries**, said that it was important to draw a distinction between macro-economic and micro-economic issues, even though the concepts were not yet clear. With regard to the question of eco-labelling, it could adversely affect the competitiveness of those countries which could not meet the related criteria, but on the other hand developing countries could find new market opportunities for environmentally friendly products. Small producers might fare particularly well in this respect. Although, for the moment, the trade impact of eco-labels had been small, international cooperation was nevertheless needed if discrimination and hidden protectionism were to be avoided.

168. He expressed appreciation for the work under way in UNCTAD on eco-labelling, in particular the workshop organized by the secretariat in June 1994. He agreed with the secretariat about the need for mutual recognition of certifiers between developed and developing countries and the need to investigate the feasibility and usefulness of regional certifying and eco-labelling bodies. He stressed the valuable contribution that ISO was making in this area by providing guiding principles for environmental labelling.

169. In the last few years, several eco-taxes had contained requirements on recycling, and it was important that such taxes should not be applied for protectionist purposes.

170. In some cases, environment-related policies might both contribute to environmental improvement and result in economic benefit: in particular, the new environmental sector provided a growing market for environmentally sound goods and services from developing countries. Nevertheless, lack of information could cause market access problems. Transparency played a key role, especially as regards restructuring production and integrating environmental policies and industrial strategies, and the question of transparency would be an important part of the work of the Ad Hoc Working Group on Trade, Environment and Development.

171. Finally, while harmonization might be one way of addressing the impact that environmental regulation might have on competitiveness, this approach had obvious limitations due to the differences between countries as regards both environmental conditions and resources available for environmental protection.

172. The representative of the **European Community** said that discussions on trade and environment would best be continued in the newly established Ad Hoc Working Group on Trade, Environment and Development. Environmental policies, standards and regulations increasingly established the quality of products and production processes as factors in international competitiveness and as conditions for market access. For the time being, however, the trade impact of product measures had not been significant, except in specific sectors and specific product categories. Likewise, process standards did not seem to have had any major impact on competitiveness so far. Therefore, more time should be devoted to improving the knowledge base rather than taking any hasty decisions.

173. With regard to product measures, the GATT Agreement on Technical Barriers to Trade as amended during the Uruguay Round negotiations seemed to provide satisfactory answers to at least some of the concerns expressed in the secretariat's report. In this context, there was no doubt that packaging and labelling were issues of major importance at the interface of trade and the environment. The main concerns of exporters were that the lack of harmonization of packaging or labelling requirements might significantly increase costs for exporters; respect of national treatment might not be a sufficient guarantee for exporters, since compliance costs could be considerably higher for small and distant exporters; requirements on the use of recycled materials might prevent imports from countries in which such materials were not readily available; difficulties could arise in complying with domestic schemes requiring the re-use or recovery of packages; and requirements to certify compliance with environmental standards in the importing country might involve higher costs. These concerns were no doubt more serious in the case of developing countries' exporters.

174. From a trade point of view, harmonization of environmental standards worldwide would certainly be the most efficient way to remove trade barriers. From an environmental point of view, however, there seemed to be an emerging consensus that harmonization could not be considered as the ultimate goal. Recognition of eco-labels might present a viable alternative, but mutual recognition could only take place between eco-labelling schemes with equivalent criteria. What was more important, for the time being, was to ensure a framework which would allow for a high domestic standard of environmental protection, and this was the case with the present GATT rules,

which allowed each country the right to establish high standards for environmental protection, provided that certain basic disciplines, such as non-discrimination, transparency, national treatment and the avoidance of unnecessary obstacles to trade, were respected.

175. The situation was somewhat different as regards process and production standards. The environment of the importing country was not affected by PPMs used in the exporting country unless they were product-related or led to transborder environmental effects. The GATT did not allow the imposition of trade restrictions against a producing country with lower process standards. Since countries and regions differed considerably in terms of their ability to absorb pollution, each country should be allowed to set its own process standards, as long as the production methods used did not affect the product itself or the global environment. The most promising way to remove negative effects of environmental regulations on market access and competitiveness was through bilateral and multilateral cooperation.

176. Technical cooperation activities could be helpful in finding the appropriate answer to possible adverse effects of environmental regulations on the exports of developing countries. In this context, a major problem in developing countries was the testing and verification of products and plants. This problem could be partly alleviated by training the staff of standardization institutes in developing countries in conducting on-site plant tests. Training could also be conducted through agencies appointed by international standardization bodies such as ISO. Bilateral donors certainly had a role to play in financing such training. Moreover, consultancy firms were emerging in the EU countries which would provide technical assistance to developing countries, particularly those in Africa, to enable them to meet the criteria set out for eco-labelling. These consultancy firms would be authorized by the various eco-labelling schemes to conduct the verification procedures in the exporting countries themselves. Thus, though the parent companies would be based in the OECD countries, subsidiaries would be located in the developing countries.

177. At the same time, the issue under discussion was not a mere trade issue, but one with a definite development dimension. Measures were therefore required to improve developing countries' competitiveness by facilitating their access to environmentally sound technologies. This topic certainly deserved further examination in the framework of UNCTAD.

178. The representative of **Venezuela** said that the best way to harmonize trade and environmental policies was through the adoption of multilaterally agreed criteria designed to ensure that standards were not used for protectionist purposes. This was of great importance for Venezuela, considering the trade restrictions faced by its tuna exports and the recent threat to petrol exports.

179. Unilateral trade measures were not consistent with multilateral norms and were detrimental to Venezuela's exports. They further limited the capacity to use new technologies which were more favourable to environmental protection. Future multilateral discussions and negotiations on trade and environment would involve elements of particular relevance to developing countries, and these must be properly taken into account.

180. Discussions and agreements on principles and standards should reflect an essential balance between the needs and aspirations of developing countries. While there was no question of hindering progress in attaining the environmental objectives on the agenda of the multilateral trading system, the lesser capacity of developing countries to absorb or internalize costs associated with the environment should be duly taken into account.

181. Finally, the adoption of clear, globally recognized standards was a great challenge to the international community, and UNCTAD was called upon to play an important role in that connection. The future work of the Ad Hoc Working Group on Trade, Environment and Development should lead to the identification of areas where international cooperation and technical assistance were required.

182. The representative of **India** said there was a popular misconception that trade and the environment were in fundamental conflict with one another. In fact, the evidence suggested that trade liberalization led to economic growth and development, enhanced sustainability, and improved the capacity of a society to provide for environmental protection. This was particularly true for developing countries, where the lack of resources and poverty, rather than inappropriate environmental policies, resulted in environmental degradation. The relationship was symbiotic rather than antagonistic: trade led to increased resources for environmental protection, and environmental protection sustained continued expansion of trade. This implied that environmental protection and economic growth had to go hand in hand to achieve sustainable development.

183. With regard to the secretariat's report, the broad thrust of which he agreed with, two types of measures were used in environmental policies, namely economic instruments like taxes and charges, and command and control regulations. It was important that economic measures should be based on the criteria of "necessity" and "effectiveness" and on recognized GATT principles like MFN and national treatment.

184. Product policies should be transparent and should be based on adequate scientific justification. They should certainly not be used as non-tariff measures. Technical cooperation would be needed, especially to help small and medium-scale companies to adjust to standards in developed countries. Similarly, in the case of packaging, the emphasis should be on recyclability rather than on recycled contents.

185. With regard to production and process standards, the developing countries should be allowed to chose their own environmental and developmental priorities. There should be no extra-territorial imposition of standards by a country at a far different level of development. Trade measures intended to impose PPMs on other countries would be inefficient, as they would contradict the benefits of comparative advantage. International cooperation would be required in the area of eco-labelling, so that undue effects on trade could be avoided. In cases where there was no transboundary environmental effect, standard-setting for upstream production stages should be left to the national level. In cases of environmental problems with a spill-over effect, international environmental agreements based on the principles of

non-discrimination, transparency and least trade distortion and keeping in view the special developmental requirements of developing countries could provide the answer.

186. With regard to internalization of environmental costs, valuation of resources was difficult, and the UNCTAD secretariat could initiate studies on that topic.

187. Concerning process standards and eco-dumping, empirical evidence suggested that the relative stringency of environmental standards had little or no impact on the general competitiveness of countries. The competitive effects of environmental regulations varied widely from sector to sector and were likely to be smaller for the manufacturing sector than for natural-resource-based products. It would be important to ensure the transfer of appropriate technologies to the developing countries and to make adequate finance available to enable them to integrate these technologies into their manufacturing process.

188. Finally, in developing policy guidelines in the field of sustainable development, it was essential to bear in mind the concerns of all in order to allow different policy mixes.

189. The representative of the **Russian Federation** said she agreed with the UNCTAD secretariat that environmentally sound economic policies would promote sustainable development, but the actual implementation of such policies would depend on a given country's level of social and economic development.

190. It was obvious that the introduction of new environmental standards would require a huge effort on the part of countries that were taking up the issue for the first time. For the Russian Federation, a country in transition, it represented an additional problem requiring the assimilation of new processes and heavy infrastructural investment.

191. Her country fully supported those measures regulating trade for environmental purposes that had been introduced within the framework of international agreements. However, standards which related to individual products in individual countries and which limited market access for countries without such standards were another matter. Transparency was crucial in this connection, and developing countries and countries in transition must be supplied with adequate information on environmental standards and legislation affecting trade. Small and medium-size enterprises were particularly vulnerable in that connection. The Ad Hoc Working Group on Trade, Environment and Development should study areas in which transparency was most needed.

192. The introduction of technical standards required environment-friendly technology, which in turn required investment. It must be noted that the environment market in the developed countries had developed over a 20 year period, while in her country it was virtually new. The main problem in Russia was the lack of adequate investment.

193. Finally, work in this field should be based on close cooperation among international organizations such as UNCTAD, WTO, ITC and ISO.

194. The representative of **Egypt** said that the main question was whether environmental policies affected competitiveness and, if so, what should be done about it. An additional issue was whether differentiated impacts could be expected in developed and developing countries due to the difference in their capacities and capabilities. From the trade perspective, the financing of environmental control measures, the usefulness of the polluter-pays principle and the question as to whether this principle should be extended to internalizing externalities in developing countries also arose.

195. Environmental standards were in principle no different from other factors which contributed to the international competitiveness of an economy such as education, infrastructure and social policy. Moreover environmental standards simply reflected the priorities of a given society as to particular policy goals.

196. There did not seem so far to be any positive correlation between high environmental standards and decreasing competitiveness in developed countries. Pollution abatement costs rarely represented more than 1 per cent of total costs and did not reach more than 3 per cent even in highly polluting sectors such as cement industries. Evidence for dirty-industry migration was scant. However, high environmental standards seemed to produce a comparative advantage for developed countries' producers in the long and medium term due to their innovative effect.

197. One response to the competitiveness problem had involved countervailing measures against "eco-dumping". However, such measures were not in conformity with GATT, and it had been concluded that the use of countervailing duties to deter eco-dumping was not only unjustifiable but would also invite problems and abuses that far exceeded the problem of competitive displacement they were aimed at.

198. As far as developing countries were concerned, the extent to which internalized environmental costs were borne by the producer in developing countries or the consumer in developed countries depended mainly on the elasticity of the supply and demand curves, as well as on the ability of the two parties to shift the curves. Given the shape of supply and demand curves, all measures aimed at internalizing the environmental costs in the exports of developing countries were likely to impose a burden mainly on producers and exporters in developing countries.

199. A great deal of world trade was dominated by intra-firm transactions which took place at transfer prices designed to concentrate profits in the place which suited the firm best. This was often not the exporting country. Malaysian experience with environmental regulation in the palm-oil industry pointed to the industry's ability to shift the costs associated with pollution control onto the suppliers of the raw materials, causing a significant change in the distribution of returns to trade. These distributional effects and their implications internationally should be one of the issues on the agenda of the new Ad Hoc Working Group on Trade, Environment and Development.

200. The power to shift the supply curve was vested with firms, institutions and Governments which had means to invest in the development of new technologies, while power over the demand curve rested largely with the media

and therefore with those who had access to them, including well-organized lobbies. All these forms of power tended to be concentrated in developed countries, and developing countries' trade therefore stood to lose from the introduction of environmental measures. When the producers of pollution and their victims in developed countries agreed to abatement measures which raised costs, they were liable also to agree on protectionist measures to prevent competition from imports and to pass over the environmental cost to the exporter. Thus, the risk of environmental and trade protectionist measures going hand in hand was very high.

201. The spokesman for the **European Union** (Germany) said that the Board could not expect rapid results in the field of trade and environmental policy, since many of the related issues pointed well beyond the area in which those two fields overlapped, touching upon fundamental questions of international economic relations. In the Final Documents of the Rio Conference, it had been observed that an open, multilateral system of trade, together with an effective environmental policy, would have a positive impact on the environment and would be conducive to sustainable development. By allowing internalization of environmental costs, a multilateral system of world trade could also lead to optimal resource allocation with respect to the environment. None the less, all agreed that the prices of traded goods did not currently reflect costs to the environment, and the issues thus raised should be the focus of UNCTAD's analytical work. Studies on the effects of OECD environmental policies on developing countries would be of great interest.

202. Trade liberalization enhanced efficiency and helped save resources, and that in itself promoted the protection of the environment. It influenced direct investment and attracted new industries, often with cleaner forms of production. However, it was not yet possible to draw any final conclusions as to the effect of trade liberalization on environmental problems, as many existing market, political and institutional imperfections had not yet been affected by liberalization.

203. The reasons for environmentally untenable trade flows were often to be found in the tenacity of flawed structures of production and consumption. Resulting conflicts in trade could thus be compared with instances in which challenges to obsolete technologies and industries led to friction. Nevertheless, it was not fair to refer to the attempts of environmental policies to change certain structures of production and consumption, and thus international trade and investment flows, as "protectionism". However, developing countries had to participate fully in the process so as to ensure that not only piecemeal solutions were sought, with improvements in the environment in one part of the world representing a cost in another part of the world.

204. With regard to the secretariat's report, he stressed the importance of transparency of environmental policy measures which affected international trade. As the Commission on Sustainable Development had underlined in its decision at its second session in May 1994, different environmental regulations could be desirable in different countries, though the international community should continue to encourage mutual recognition or convergence of environmental standards. Inasmuch as growing environmental

awareness on the part of consumers led to a change in consumer behaviour, possibly supported by voluntary eco-labelling, suppliers in developing countries would not be able to escape this change in the structure of demand. It was only through the dynamism of structural change that forms of production which were environmentally sound would be implemented in developing countries.

205. The secretariat's report had neglected the aspect of relative price change, as well as fluctuations in costs and their repercussions on trade flows. For example, the cost of recycling parts of a product as against the cost of waste disposal would have a decisive effect on measures implemented. Finally, policy recommendations concerning environmental protection must take the capacity of developing countries to implement measures into consideration.

206. The representative of **FAO**, referring to the UNCTAD secretariat's report (TD/B/41(1)/4), said that the FAO/WHO Codex Alimentarius Commission (CAC) sought to harmonize food standards to protect consumers' health and facilitate international trade. It had prepared over 3,000 maximum pesticide residue limits (MRLs) for different pesticide and commodity groupings. Foods conforming to MRLs posed no health risk to consumers, and on this basis it should be possible to harmonize national requirements with those of CAC under the procedures foreseen in the Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures. The CAC was seeking to extend its recommendations on MRLs to a greater variety of products exported from developing countries. It was also working on other environmentally related food standards. FAO would welcome closer collaboration with UNCTAD on issues related to food standards. Finally, he noted that references to forestry in the secretariat's report were limited, but such issues as certification, labelling, pollution control, recycling and packaging were of considerable importance to forestry. FAO was working on some of these issues.

Action by Sessional Committee I

207. At its sixth (closing) plenary meeting, on 28 September 1994, Sessional Committee I approved draft agreed conclusions submitted by the Chairman (TD/B/41(1)/SC.1/L.2) and recommended them to the Board for adoption.

208. The representative of **China** said that the report of the secretariat (TD/B/41(1)/4) was still not available in Chinese. This was regrettable and it was hoped that every effort would be made to avoid such situations in the future.

Action by the Board

209. The action taken by the Board on agenda item 4 is reported in TD/B/41(1)/14(Vol.I), section 1.A. (See agreed conclusions 418 (XLI)).

Chapter IV

ANALYSIS AND ASSESSMENT OF THE OUTCOME OF THE URUGUAY ROUND, IN PARTICULAR IN AREAS OF CONCERN TO DEVELOPING COUNTRIES AND ECONOMIES IN TRANSITION CONCERNED, AND ITS IMPACT ON THE INTERNATIONAL TRADING SYSTEM AND PROBLEMS OF IMPLEMENTATION

(Agenda item 5)

210. For its consideration of agenda item 5, Sessional Committee I had before it the following documentation:

Trade and Development Report 1994 (UNCTAD/TDR/14), Part Three;

The Outcome of the Uruguay Round: an Initial Assessment: Supporting papers to the Trade and Development Report, 1994 (UNCTAD/TDR/14 (Supplement)).

211. The **Officer-in-Charge of the International Trade Division**, in his introductory statement, drew attention to the initial assessment of the Uruguay Round results in the Trade and Development Report 1994 and Supporting Papers and identified four themes in order to assist the Board in structuring its deliberations. First, the WTO Agreement dramatically increased the multilateral trade obligations of developing countries. It also deepened these obligations by establishing disciplines in areas previously considered the domain of domestic policy. However, more specific contractual provisions for differential and more favourable treatment provided developing countries with a certain amount of time-bound flexibility. Their development strategies and trade policies would nevertheless have to be adapted to the post-Uruguay Round system. Under these circumstances, it must be asked to what extent developing countries would be able to emulate the success stories of certain countries, particularly those in the Asian region. Second, tighter multilateral disciplines, combined with a streamlined dispute settlement system, provided new scope for action against trade-restrictive practices and shielded countries from bilateral pressures. It was therefore important to determine the institutional and financial capacity of developing countries to assert and defend their rights effectively within what promised to be a more legalistic, litigious system. Third, the LDCs and many less advanced developing countries could find it extremely difficult to compete in a more liberal trading system. They would also face considerable problems in assuming the burden of their new, more stringent multilateral obligations. The transitional adjustment costs (such as erosion of preferences and higher food prices) would pose a particularly onerous challenge for them. The Trade and Development Report suggested that the international community should consider how such countries could benefit from a "safety net", which should assist them in dealing with adjustment problems, in acquiring improved capacities to compete in international trade, and in making full use of their rights. A Ministerial Decision adopted at Marrakesh on "Measures concerning the possible negative effects of the reform programme on least developed and net food-importing developing countries" constituted a first step in addressing some of these problems. The Board might therefore wish to give priority consideration to the wide range of these countries' special needs in the post-Uruguay Round system. A fourth theme related to the future trade agenda. The Multilateral Agreements themselves contained a built-in agenda

for future negotiations. In addition, a variety of other issues, some of which had wider economic, social and political implications, had been suggested at Marrakesh. A preliminary consideration of new and emerging issues would contribute to a better understanding of these issues, including their developmental implications, in view of the Board's forthcoming executive session devoted to this subject.

212. In conclusion, UNCTAD IX would inevitably have to address the full spectrum of trade issues in the post-Uruguay Round era. The Board's deliberations on this item could also provide policy guidance and focus for the work of the Board leading up to UNCTAD IX.

213. The representative of **Mexico** said that the basic aim of his country's participation in the Uruguay Round had been to obtain stable and reliable access for Mexican exports to international markets, in return for the autonomous trade liberalization measures taken by Mexico in recent years. The free-trade agreements signed by Mexico with other countries were fully compatible with the Uruguay Round, and the two approaches were complementary, as free-trade areas fostered trade relations among the countries involved, while the Uruguay Round results provided clearer rules and increased disciplines at the multilateral level.

214. There were five areas of the Uruguay Round results which were of particular interest to Mexico: first, the strengthening of the multilateral system, which would remedy the lack of universally accepted trade rules and adequate dispute settlement mechanisms, both of which affected small and medium-size economies in particular; second, enhanced disciplines to prevent measures against unfair practices from being used for protectionist reasons, in particular anti-dumping and countervailing measures, which could become instruments of harassment; third, greater transparency in the application of safeguard measures, to be allowed for short periods, non-selectively, and triggered at a predetermined level, with a positive result in this regard being the provision concerning the elimination of the so-called voluntary export restraint agreements; fourth, the significant reduction of tariffs and non-tariff barriers; and fifth, lesser distortions in trade of agricultural products through the reduction of subsidized exports and support measures for the agricultural sector in some industrialized countries, as well as the setting of conditions for fair competition and of clear rules for the application of sanitary and phytosanitary measures which would prevent them from becoming unjustified trade barriers.

215. Considering the particular importance of analyses of the implications of the new world trade framework for developing countries, UNCTAD should consolidate its analytical framework to examine the effects of the Uruguay Round in order to enhance its capacity in terms of providing advisory services to developing countries. To this end, it would be important to strengthen cooperation between UNCTAD and other organizations of the United Nations system. Finally, the creation of the WTO would make it necessary to revise the functions and responsibilities of the various international organizations dealing with matters related to the results of the Round.

216. The representative of **Australia** welcomed the secretariat's report on Uruguay Round outcomes and their impact on developing countries as a further indication of UNCTAD's role in providing informed analysis of important issues. She supported the major thrust of the report (UNCTAD/TDR/14), which was that implementation of Uruguay Round outcomes should not be delayed or undermined by any groups with a vested interest in derailing the World Trade Organization. The best way to ensure that all countries shared the benefits promised by the Round was to implement as soon as possible the disciplines to which participants in the Round had agreed.

217. Issues of particular concern to developing countries (including least developed countries) included the gradual phase-out of quotas under the multifibre agreement (MFA) and the reduction in tariffs on industrial products. The opportunities presented by these developments, if harnessed quickly and dynamically, should enable developing countries to gain from the improved export opportunities offered, despite the reduction in margins of preference on certain tariffs and the gradual roll-back of subsidized agricultural imports. In this context, there was clearly an important role for UNCTAD and other organizations in helping to ensure that developing countries were able to take advantage of these new opportunities. She noted the report's comment that considerable technical assistance should be provided to developing countries, particularly the land-locked developing countries. In that connection, considering UNCTAD's technical cooperation activities, what was being done in other forums should be borne in mind in order to avoid duplication.

218. Finally, in her opinion, there might be an increase in the number and scope of regional trading agreements after the Uruguay Round.

219. The spokesman for the **Asian Group** (Malaysia) said that, while an assessment of the Uruguay Round in terms of benefits in market access required individual country evaluations, there were a number of key issues of concern to the ASEAN Group. The immediate problem of the slow process of ratification by the major trading partners could delay the establishment of the WTO and have negative implications for developing countries, as potential benefits might not be duly realized. He hoped that countries, in their domestic implementation, would not deviate from their commitments by way of legislation which could negate potentials for market access, for instance by unilaterally determining rules-of-origin criteria.

220. With respect to regional arrangements, he expressed concern over the erosion of the competitive position of third countries. Creative approaches such as changes in rules of origin could be employed to preserve the competitive and advantageous position of regional trading blocs. In acknowledging the importance of the environment and sustainable development, he said that environmental measures should under no circumstances be used as a guise for protection. With regard to the social clause, the Asian Group viewed the linking of labour standards with trade as unjustified and possibly a new form of protection. Determination of international labour standards should be the task of ILO, and level of development should be taken into account. Furthermore, adherence to labour standards should not be a condition for market access. Consideration of that issue would certainly overload the agenda in the WTO.

221. Concerning recent intentions to seek further commitments and concessions, especially in the area of services and particularly financial services, he felt that services liberalization should be progressive, taking due cognizance of level of development and providing for special and differential treatment for developing countries.

222. As regards the GSP, the attempt by the donor countries to modify the conditions for granting GSP treatment by using non-trade-related criteria was a matter of concern to the Asian Group. Such an approach could have negative implications for the future of multilaterally agreed trade rules and disciplines. On the question of the erosion of preferential margins, he felt that the GSP review in 1995 should lead to the improvement of the schemes so as to make it easier for developing countries to benefit from them.

223. The special provisions for the least-developed countries should be given practical effect and further elaborated to enable the LDCs both to enjoy the benefits of the Uruguay Round and to give them confidence in the multilateral trading system.

224. The support provided by UNCTAD to developing countries in the negotiating process for the Uruguay Round had been useful, and such support should also be extended during the implementation phase. Furthermore, since a number of developing countries were still not GATT members and would require technical cooperation to integrate into the multilateral trading system, UNCTAD could provide useful assistance to these countries.

225. The representative of **Japan** said that the conclusion of the Uruguay Round would have many positive impacts on the world economy and would revitalize it. The new comprehensive rules in international trade would prevent protectionism and unilateral measures, and the increased participation of developing countries in the international economy could be expected to contribute to its stabilization. Further improvement of market access for goods and services would be assured not only for developed countries but also for developing countries, and Japan was looking forward to further efforts on the part of the developing countries to participate in international trade. He recognized, however, that the implementation of the agreed measures represented a great challenge for developing countries, in particular the least developed ones, and support from the international community was of utmost importance.

226. In this regard, he referred to the evaluation of the effects of the Uruguay Round taking place in the Board, as well as the work included in the agenda of the newly established Ad Hoc Working Group on Trading Opportunities in the New International Trading Content. His delegation strongly supported that policy orientation of UNCTAD and its related future activities. UNCTAD should seek to develop constructive policy proposals in the area of trade policies and give high priority to technical cooperation activities in such trade-related areas as textiles, clothing, agriculture and services, in which developing countries had a strong interest. In addition, UNCTAD should undertake to identify measures designed to overcome the difficulties which some developing countries might face when they tried to exploit the opportunities provided by the Round. He noted that Japan had contributed to UNCTAD's technical cooperation activities in the area of GSP, and drew attention to the "technical workshop on the new WTO anti-dumping code and

national anti-dumping duty laws and practices for the countries members of ASEAN", which was to be held in Singapore as one of a series of GSP workshops. One of the most important elements of the future role of UNCTAD, in cooperation with the WTO, would be to give full support to those developing countries which needed assistance for the implementation of measures resulting from the Uruguay Round.

227. The representative of the **United States of America** said that the secretariat documentation on the Uruguay Round represented a considerable analytical effort and provided a wealth of information on the Uruguay Round agreements. He fully supported UNCTAD's analysis aimed at assisting developing countries and economies in transition to best take advantage of the Uruguay Round's liberalization.

228. He agreed with the UNCTAD secretariat that the international trading system was not a zero-sum proposition. Rather, there was tremendous potential for growth in all countries. The developing countries and economies in transition appeared to have the greatest potential for growth in the new international trading system. Implementing the results of the Uruguay Round was a collective economic interest which would foster growth and help to create jobs in all countries. The new global trading system included increased opportunities and responsibilities for all.

229. He noted that trade policy reforms in developing countries and economies in transition would require complementary international support. Many of the provisions in the Uruguay Round agreements contemplated this reality. The United States would continue to work both bilaterally and multilaterally to assist developing countries and economies in transition in their efforts to become full participants in the world trading system. UNCTAD had already made significant headway in facilitating understanding of the agreements. None the less, more work could be done, while bearing in mind the fact that the WTO and its bodies would have the sole authority to provide definitive interpretations of rights and obligations under the agreements. UNCTAD, working with other international organizations, could help with the building of infrastructures needed in developing countries and economies in transition to expand trading opportunities in existing and new sectors. UNCTAD's Trade Efficiency Programme was one example of this kind of effort. However, UNCTAD's cooperation with other international organizations, within and outside the United Nations system, should be undertaken in a manner that avoided duplication of efforts.

230. The United States eagerly welcomed the strengthening of the global trading system that would accompany implementation of the Uruguay Round results, and believed that regional arrangements could support this strengthening. Regional agreements could be building blocks for the multilateral trading system. Within the framework of the multilateral trading system, the United States would continue to pursue trade-expanding liberalization.

231. Finally, he recognized that consideration of environmental and labour standards caused some concern. However, these issues had to be addressed with a view to finding consensus on them.

232. The representative of **Ecuador**, recalling that his country was the leading world exporter of bananas, said that Ecuador wished to reiterate its disappointment with the inclusion as an annex to the Final Act of the Uruguay Round of an agreement which did not fulfil the basic requirements regarding tropical products and which was incompatible with the General Agreement. It should be borne in mind that ACP countries had not enjoyed the benefits which were supposedly afforded to them by the European Union's common import regime for bananas, since the European Commission had had to adopt a specific regulation to provide financial assistance to these countries to compensate for losses resulting from the implementation of the single market. According to the conclusions of a GATT panel, one of the most serious and harmful irregularities of the common regime for bananas was that which provided for the allocation of 30 per cent of the import licences to operators who, during a preceding period, had sold Community produce or products imported from traditional ACP sources. This privilege did not benefit ACP countries but worked to the advantage of such operators, to which Latin American exporters had had to pay more than $200 million during the past year. After one year of operation, this regime had caused prices in the international banana market to drop to their lowest level because of the supply distortions which it generated. At the same time, these distortions had provoked a sharp rise in consumer prices and a decline in per capita consumption of bananas in Germany.

233. The foregoing considerations showed that the single Community market favoured neither consumers in the European Union nor producers in ACP countries. On the other hand, Latin American producers had been seriously injured, in particular his own country, which had had to sacrifice some 12,000 hectares of banana plantations, implying social and economic prejudices.

234. Finally, an objective and realistic analysis of the results of the Uruguay Round for developing countries should emphasize the enormous damage to banana-exporting developing countries implied by the common single market, which had extended a restrictive regime to countries where imports of bananas were not subject to limitations.

235. The representative of the **European Community** said that the Uruguay Round had been a great and balanced victory for international trade and the multilateral system. The consensus achieved allowed an unpreceded opening of markets, notably through a global reduction of tariffs going well beyond the objective of 33 per cent set in Montreal; the progressive integration of trade in textiles and agriculture into the multilateral trading system; the conclusion of an agreement on services with a set of initial commitments which, though not complete, nevertheless represented an important starting point for the pursuit of negotiations in a certain number of sectors; an enhanced rule-based multilateral trading system encompassing new areas of international economic activity; and above all, the creation of a powerful and representative World Trade Organization (WTO). Thus, the wide-ranging revision of the rules and disciplines of the GATT in the Uruguay Round had made it possible to make international competition fairer and enhance the legal security of trade. According to the UNCTAD secretariat's report, one of the major results was the transformation of the revised Tokyo Round multilateral codes into multilateral trade agreements that were obligatory for all members of the WTO, which meant a considerable reinforcement of

multilateral disciplines for all parties. He saw, however, a certain contradiction in the way that the secretariat report seemed to regret this enhancement of multilateral disciplines for developing countries, on the grounds that many members of the WTO would not as a result be able to apply the same development strategies followed successfully by many countries in the past. However, the development strategies in question involved vigorous expansion of exports without fully respecting the international rules concerning anti-dumping, subsidies and intellectual property, and such policies would in the long run turn international trade into a jungle. For its part, the European Union, like all the signatories of the Final Act of the Uruguay Round, was convinced that the revised system offered new possibilities which could be exploited by developing countries as well. The secretariat's report also referred to a disequilibrium between the greater multilateral disciplines accepted by developing countries on the one hand and the persistence of tariff rates higher than 10 per cent against important sectors of developing countries' exports on the other hand. However, that did not seem the right approach, and it would be more suitable to compare the situation that prevailed before the conclusion of the Uruguay Round to the results achieved with respect to these sectors. In accordance with the Marrakesh Declaration, the European Union shared the opinion that the participation and integration of developing countries in the international trading system represented a historical evolution towards a more balanced world providing for new prospects of partnership.

236. The developing and developed countries alike would benefit from a more open multilateral trading system, even if the Uruguay Round agreements limited the pursuit of certain economic policies. He noted, however, that certain developing countries, in particular in Africa, were less able to gain immediate benefits from the Round. The European Union was aware of the fears expressed, especially by the least developed countries but also by countries in transition, concerning institutional capacities, human resources and information. In fact, it had often been the initiator of provisions allowing for differential and more favourable treatment for these countries, especially the least developed ones, which were now embodied in the Final Act and the related decisions. He emphasized the importance of appropriate technical assistance for developing countries, and in particular the least developed ones, in order to enable their further participation in international trade. He invited UNCTAD to contribute to such assistance in a spirit of complementarity alongside GATT and the WTO.

237. The representative of **Sweden**, speaking on behalf of the **Nordic countries**, said that the overriding priority must still be to ensure rapid and faithful implementation of the Uruguay Round results, and speedy ratification would be necessary in order to launch the WTO as of 1 January 1995. He reiterated the main achievements of the Uruguay Round, noting that certain parts of the agreements were of special interest to developing countries. Tariff reductions on industrial products in general would improve access to markets, while the Agreement on Agriculture constituted an important step forward in the liberalization of trade in this area and provided for improved competition on world markets. The Agreement on Textiles and Clothing provided a framework for phasing out the MFA, while the improved dispute settlement mechanism would ensure a more efficient settlement of disputes and would safeguard the interests of small and large countries alike. With the establishment of the

WTO, a foundation for the full integration of the developing countries into the world economy had been laid. However, in order to benefit from the newly established rights and opportunities, countries had to accept the obligations of the system.

238. Although provisions for differential and more favourable treatment for the developing countries were included in various parts of the agreements, many of these countries, especially the LDCs, would need increased technical assistance to be able to meet the new challenges and make the best use of opportunities offered. In addition, net-food-importing least developed countries would need transitional assistance to mitigate any negative effects to which they might be exposed. On a multilateral level, such assistance should be given by WTO, ITC and UNCTAD, in accordance with their respective comparative advantages. It was therefore important to find a working formula to provide for a fruitful division of labour and cooperation between UNCTAD, WTO and ITC. In the view of the Nordic countries, UNCTAD should, in collaboration with the WTO, provide more analytical follow-up of the Uruguay Round results. With regard to further negotiations already foreseen in several areas and new issues emerging, such as trade and environment, trade and competition and investments, he noted that environmental issues were already safely anchored in UNCTAD as a result of the setting-up of the Ad Hoc Working Group on Trade, Environment and Development. He emphasized UNCTAD's natural and central role in providing the analytical material which was crucial for tackling new and emerging trade issues.

239. The representative of **Poland** emphasized that signing the Final Act of the Uruguay Round had been a moment of special significance for Poland. Twenty-seven years after joining GATT in 1967 and after four years of transition to a market economy, Poland had contributed to the Round on an equal footing with other participants by undertaking the same type of tariff and non-tariff commitments and obtaining the same rights and benefits. In particular, he noted the importance of the Round for the Polish economic reform process and provided examples of tariff and non-tariff liberalization by developed countries involving products of export interest to Poland. Finally, he stressed that Poland would become a founding member of the WTO, which implied that it would be a more active member of the international trading community.

240. The representative of **Canada** emphasized the importance of full and effective implementation of the agreements reached at the conclusion of the Uruguay Round and informed the Board that Canada was in the process of finalizing the necessary domestic legislative instruments. It was essential to remain focused on moving forward with what had been agreed to.

241. The secretariat documentation reinforced his country's conviction that developing countries would benefit substantially from the Uruguay Round. One of the great intangibles was the benefit resulting from the confidence and security that went along with a strengthened rules-based system and with agreed and improved dispute resolution mechanisms in the context of an overarching institution - the WTO. Developing countries had a strong interest in clear and well defined rules and disciplines which offered security of market access and protection against bilateral pressure and unilateral action

from major trading partners. He referred in particular to the special provision for developing countries contained in the Safeguards and Anti-dumping Agreements.

242. With regard to the question of an erosion of preferences and the possible impact of the Uruguay Round on some food-importing countries, the impact across sectors and countries was variable, but an assessment would require a longer-term perspective. Thus, for example, although the Agreement on Agriculture did not go as far as some developing countries would like, its significance lay in the fact that the process of bringing that important sector fully into line with the rules-based trade system and of opening markets had begun, with greater progress initially in the area of tropical products. The long-term significance of the MFA phase-out was also profound for many developing countries.

243. With respect to how the international economy and the economic position of developing countries would be affected by the Uruguay Round, it was important to monitor and assess the results over time, with a particular eye to the situation of the most vulnerable that might be affected by reductions in margins of preference or increases in the price of imported foods.

244. The best way to guarantee that the Uruguay Round had positive effects for all countries was to ensure ratification and full and effective implementation, and for all countries to make full use of the dispute settlement system and to participate fully in the new WTO.

245. The representative of **Jamaica** said that the developing countries could be justifiably proud of their participation in the Uruguay Round negotiations and of having made a significant contribution to the success of the Round. The fact that there had been much wider participation by developing countries in the Uruguay Round than in any other previous multilateral trade negotiations and their acceptance of the Final Act and World Trade Organization agreements (with their much greater obligations) attested to their respective Governments' faith in a reformed multilateral trading system with more predictable international rules which would enhance economic recovery and create opportunities for the sustainable development of developing countries.

246. One of the main objectives of developing countries participating in the Uruguay Round was to obtain improved market access for their exports, in particular to developed countries. In fact, many developing countries, including her own, had undertaken far-reaching trade liberalization measures with the aim of revitalizing their economies and integrating them into the world economy.

247. She expressed concern that whereas there had been a considerable overall reduction in the tariff rates by the developed countries, the rates on products of particular interest to developing countries still exceeded the average, as pointed out in the *Trade and Development Report 1994*. Her Government supported the proposal for remedial action in the form of improvements within the GSP schemes and was concerned as to the prospective consequences of the Uruguay Round agreements for developing countries like her own which currently enjoyed trade preferences and were also net-food-importing countries, besides being handicapped by a severe debt burden. In respect of

ACP trade preferences under the Lomé Convention, preliminary studies by UNCTAD indicated that there was likely to be an overall loss of approximately 30 per cent in preferential margins, with the highest percentage loss occurring in tropical products. ACP countries were therefore likely to face losses on both the export and the import sides.

248. Her delegation therefore supported the suggestion made in the Trade and Development Report 1994 that consideration be given by the Trade and Development Board to the provision of a broader "safety net" for these countries. Measures could include balance-of-payments assistance, which could be given by multilateral financial and technical institutions, and financial and technical assistance through international organizations such as UNCTAD, UNIDO and FAO. In this regard, during the period leading up to and during the implementation of the Uruguay Round agreements, UNCTAD would be required to play an even more dynamic role, within its own mandate for policy analysis, intergovernmental deliberations, consensus-building and negotiations, and in view of the clearly delineated complementarity between UNCTAD and the WTO, UNCTAD should continue its assistance to developing countries to allow them to avail themselves of the new opportunities but also to overcome obstacles and problems they would face as members of the WTO.

249. The representative of **Slovakia** said that her country's economy was showing signs of recovery, and the conditions necessary for the development of the private sector were being established through the liberalization of the economic environment, both internally and externally. The economic development of Slovakia was substantially influenced by the external economic relations of the new State, which included the establishment of a Customs Union with the Czech Republic. She noted that Slovakia had been granted associate membership in the European Union, and it was also a contracting party to the GATT. Slovakia's mainly bilateral trade framework strictly followed multilateral GATT rules, the average import tariff rate being only 5 per cent and 97 per cent of the tariff rates being bound. Slovakia also had a GSP scheme for developing countries.

250. The results of the Uruguay Round, in which Slovakia had participated, would have a positive impact on the world trading system and would promote the integration of the Slovak economy into the world economy and world trade. The liberalization of the international economic system enabled Slovakia not only to develop trade and cooperation with its traditional partners, mainly the European Union and EFTA, but also to take better advantage of relations with developing countries, which accounted for a growing share of Slovakia's foreign trade. She emphasized that the establishment of the WTO signified that foreign trade would be realized in accordance with accepted rules and within a non-discriminatory and open trade framework controlled by the participating members, including Slovakia.

251. The representative of the **Russian Federation** commended the UNCTAD secretariat's analysis of the Uruguay Round outcome and said that his country supported the further expansion and strengthening of UNCTAD's analytical functions aimed at facilitating international consensus-building and developing a better understanding of existing problems at the national level. His country's negotiations on accession to the GATT/WTO was one of the important elements in his country's foreign economic policy, and he hoped that

the first meeting on the Russian Federation's accession would take place in 1994. Russian economic reforms, which had already been producing positive results, would play a decisive role in this accession process. On the other hand, Russia would be negotiating under difficult economic circumstances and hoped to meet appropriate understanding on the part of its negotiating partners.

252. The Russian Federation was trying to maintain its liberal import regime, despite its economic difficulties and strong protectionist pressures. In turn, he hoped that new trade legislation being prepared by GATT contracting parties to ensure the implementation of the Uruguay Round agreements would provide an occasion for eliminating archaic protectionist provisions from the "cold war" era, in particular those relating to anti-dumping and safeguard measures.

253. The establishment of the WTO meant that a new look had to be taken at UNCTAD's role. In that connection, while ensuring complementarity with the WTO and avoiding duplication, UNCTAD should pursue its efforts aimed at formulating approaches to solving trade and development problems which were not covered by existing agreements. Furthermore, UNCTAD should remain the forum for elaborating proposals and consensus-building on trade and economic policy issues before they became the subject of negotiations in the WTO. UNCTAD should also play a more important role in providing assistance to interested countries to help ensure their effective participation in the international trading system and facilitate their adaptation to the new situation after the Uruguay Round. Such assistance had already been needed by both GATT contracting parties and countries acceding to the GATT.

254. Finally, he expressed his country's gratitude for technical cooperation provided under the UNDP/UNCTAD project in support of Russia's accession to GATT, in particular for project activities relating to training of Russian specialists and preparation of studies on various aspects of the forthcoming negotiating process. He expected that this project would be extended.

255. The representative of **Peru** said that the main achievements of the Uruguay Round included the adoption of multilateral disciplines in areas previously excluded from internationally agreed rules and the creation of the World Trade Organization. These results had been achieved thanks to the attitude displayed by all the participants, in particular those with the largest trading interests, who had demonstrated their political will to opt for interdependence and multilateralism. These efforts had been matched by the developing countries, which had made a significant contribution to global liberalization.

256. The challenge now was to translate the results of the negotiations into real trade benefits for developing countries, as well as to identify the options for cooperation that would ensure the appropriate participation of these countries in the new multilateral trading system. In the area of tariff reductions, greater efforts and cooperation would be necessary to identify trading opportunities for developing countries deriving from the negotiations on these areas. With regard to the erosion of GSP benefits, the suggestion made for the extension of preferences to areas such as agriculture and

services took on increased relevance. It would not be acceptable for conditions relating to labour standards and environmental protection to be unilaterally introduced into the post-Uruguay Round GSP.

257. The agreements that had emerged from the Uruguay Round contained a number of inequities, particularly in the agreements on safeguards, agriculture and anti-dumping. These must be carefully considered so as to avoid possible abuses, which would be detrimental to the world trading system as a whole. The set of rules establishing uniform protection for intellectual property rights seemed not fully satisfactory to some developed countries, which were seeking bilaterally to incorporate in the TRIPs agreement a kind of minimum standard to which additional protection must be attached. Such attempts would make the final agreement unbalanced, reduce predictability and lessen the essential multilateralism of the Round.

258. Concerning the linkages of the future work of the WTO with political, economic and social matters, he stressed that the development issue had not been adequately considered in the Round. While increased trade levels generated welfare and growth, there was an urgent need to include social elements which could compensate for the possible negative impact of a broad liberalization programme and foster a process of comprehensive development. UNCTAD's role was predominant in this respect.

259. In conclusion, an authentic multilateralization of the agreements of the Round presupposed the rapid accession to membership of the WTO of all countries, in particular those which constituted important markets. It would be a great mistake to exclude China from the WTO, and political considerations should not restrict trade.

260. The representative of **China**, referring to concern over the fact that the interests of many developing countries were not adequately reflected in the outcome of the Uruguay Round, said that the full participation of developing countries in the new world trading system was in the interests of all. To neglect the special difficulties and interests of developing countries would actually obstruct their participation in world economic progress. The international community, especially the developed countries, should therefore take full account of the interests and special circumstances of the developing countries in the context of the implementation of the outcome of the Uruguay Round and take timely measures to improve their situation so as to reduce the adverse impact of the new system on them.

261. Although the implementation of the outcome of the Uruguay Round had not yet started, some analyses and projections indicated that certain agreements might adversely affect the interests of the developing countries in some fields, and many of the concerns of the developing countries in that respect were justified. In order to adapt themselves to the new trading system, many developing countries had long ago started to readjust their domestic policy, but the developed countries would also have to provide support in that connection.

262. The WTO would soon come into effect, and the developing countries were watching to see what concrete steps would be taken by the developed countries in certain key areas. For textiles and clothing, though all parties agreed

that the MFA should be phased out over a 10-year period, it was anticipated that almost half of the textile and clothing products would not be brought under the GATT system until the last moment. Thus, he urged the developed countries to accelerate the process of liberalization of product categories and to reduce the damage to the interests of the developing countries during the course of implementation.

263. As for GSP erosion, the preference-giving countries should improve the GSP system by expanding their schemes to more products and improving the rules of origin. The idea of introducing environmental conditions and a social clause into the GSP system ran contrary to the principles of the system and could seriously damage its positive role.

264. Referring to the last Board decision to establish the Ad Hoc Working Group on Trading Opportunities in the New International Trading Context, he hoped that the Working Group would help the developing countries to understand the new multilateral trading system and implement the relevant agreements reasonably so as to ensure that these countries could both contribute to and benefit from the global economy.

265. China had first applied for resumption of its GATT contracting party status eight years previously. During those eight years, it had radically reformed its foreign economic and trade systems to bring them into line with international practice under the GATT. At the end of August, China had provided a package of concessions in which all tariff lines would be bound and 90 per cent of them would be less than 35 per cent and would be reduced to 30 per cent within five years after China's resumed membership of GATT. China had also submitted a timetable for the progressive elimination of more than 90 per cent of its non-tariff measures, and it would be making a significant concession on services. Those commitments would come into effect only after China's resumption of contracting party status in GATT, which would thus be in the interests of all countries. It would be unfair and unreasonable to ask China to bind all its tariffs at a very low level and to eliminate all non-tariff measures at once, while many tariff and non-tariff barriers against Chinese exports remained in the industrialized countries. China was a developing country and was ready to shoulder only the responsibilities compatible with its level of development. It would not seek GATT membership at any cost, and would not jeopardize its fundamental interests.

266. He hoped that UNCTAD, as mandated by UNCTAD VIII, would make a timely evaluation and analysis of the implementation of the results of the Uruguay Round, and in particular its impact on the developing countries, so as to help improve the equity and fairness of the new trading system.

267. The representative of **Cuba** said that the conclusion of the Uruguay Round represented a victory for multilateralism, a brake on protectionism and a major contribution to trade liberalization. It was, however, necessary for developing countries to secure adequate financial and technological support to allow them to compete with industrialized countries in the liberalized markets. It was also necessary for them to achieve economic recovery so that reduction of tariffs and of other protectionist measures could be translated into real benefits for the majority of countries in the South.

268. It was well known that the gap between rich countries in the North and poor countries in the South was widening. Most countries in the South still depended on their commodity exports, for which prices and demand were declining. He stressed the need for developing countries to become fully competitive so that they could benefit from the liberalization process and from the new trading opportunities deriving from the Uruguay Round agreements. It would not be possible to enjoy prosperous international trade without relieving the economies of the South of the tremendous problems affecting them.

269. Under the new circumstances, the international trading system should expand in accordance with expectations, but this alone would not be sufficient. The international financial and economic system and the developed countries must commit themselves to promoting recovery in the economies of the South. He also stressed the need for UNCTAD to strengthen its technical assistance for developing countries and hoped that the WTO would help prevent the application of discriminatory, selective and unilateral measures, which caused so much damage to international trade and to the credibility of the international trading system as a whole. The challenge for this new institution was to foster genuine international cooperation and to translate it into actual benefits for all, in particular for developing countries.

270. The representative of **Chile**, referring to the documentation prepared by the secretariat, expressed the wish that the analysis be resumed and complemented with information on tariff reductions so that advantage could be taken of the secretariat's expertise to identify increased market opportunities, particularly for developing countries.

271. Although not perfect, the Uruguay Round agreements represented significant progress. The task now was to ratify the agreements as soon as possible, so that the WTO and the agreements could enter into force on 1 January 1995. He emphasized that the agreements should be ratified faithfully and that any alteration of obligations already undertaken and any attempt to introduce new provisions and conditionalities should be avoided.

272. For developing countries, the main task would be to seek to take advantage of the trading opportunities resulting from the negotiations. UNCTAD's cooperation in this regard was irreplaceable, and its operational capacity should be reinforced and modernized in order to support the development and export capabilities of developing countries, as well as their negotiation and surveillance capacity. This would help to ensure the strict observance of all agreements. In this regard, he welcome initiatives such as the Ad Hoc Working Group on Trade Efficiency, whose terms of reference included precisely enhancing the trading capacities of developing countries and facilitating trading operations.

273. Finally, the common task for the future would above all be to continue strengthening the multilateral trading system and fostering worldwide trade liberalization. All countries participating in the international trading system must benefit, and all parties must show the necessary flexibility in implementing the commitments subscribed to in the Uruguay Round.

274. The representative of **Austria** said he was convinced that, in spite of certain concerns, the successful conclusion of the Uruguay Round would prove beneficial for developing economies. The most important achievement was the creation of the WTO itself, which would facilitate better enforcement of the newly improved trade rules to the benefit of the developing countries especially. The expansion of the coverage of multilateral disciplines opened up additional trade opportunities, for instance in services, even if the results in this respect might not, for the time being, satisfy everybody. Differential and more favourable treatment was stipulated in several agreements and ministerial decisions for the developing countries, and especially for the least developed among them. Furthermore, developed countries had committed themselves to giving technical support and to assisting them in taking maximum advantage of their new opportunities. However, the WTO provided only for the regulatory framework, whereas the main role in creating the necessary conditions for economic growth must be played by the countries themselves, as had been shown by some very encouraging examples in East Asia and Latin America. Although the transfer of these experiences to other developing regions called for appropriate modifications to be made, a sound economic environment was indispensable for sustained results. Such a sound economic environment and liberalization of trade was possible only on the basis of political stability and democracy, the absence of war and violence, respect for human rights and the environment, and a climate conducive to free competition. Developing countries with open domestic markets already had a greater capacity to adjust to new and emerging market opportunities. However, many of the least developed countries, especially in Africa, would need support to achieve such progress, and Austria's development cooperation focused on these regions, as well as regions trying to encourage economic reforms. Regional integration could help these countries to be more competitive, although considerable capital inflows and transfer of adequate technology would still be needed.

275. Finally, he noted that, in the Uruguay Round, developing countries had participated as equal negotiating partners for the first time, and the trust of those nearly 30 developing countries which had joined during the negotiations that the rules of trade embodied in the WTO system would substantially contribute to their further development should not be disappointed.

276. The representative of **Bangladesh** said that the least developed countries, by accepting the Uruguay Round package, had assumed important commitments relative to their level of development. This was mainly because the Uruguay Round was a single undertaking and there was hardly any choice for them but to accept the onerous commitments in order to be a part of the new multilateral trading system. However, despite efforts made by them during the negotiations to introduce flexibility in various agreements, only limited results had been achieved.

277. In his view, the least developed countries, in the short run, would face a number of difficulties due to erosion of preferential margins, expected increases in the cost of imported technology and in the price of imported foodstuffs, and the much higher level of both legal and procedural obligations. Moreover, these countries would face stiff competition for market access. In particular, his country would face global competition in

the export of ready-made garments, constrained by the absence of backward linkages in the country and dependence on imports for fabrics and other accessories. He also pointed out that some of the agreements in the Uruguay Round were development-neutral and took little account of different levels of development.

278. In recognition of the difficulties of the least developed countries, special provisions were incorporated in some agreements and a decision on measures in favour of the least developed countries had also been adopted by the Ministers at Marrakesh. He emphasized the need to translate these provisions and the Ministerial decision into concrete action. In this regard, UNCTAD could play a vital role in suggesting ways and means for concretizing the special provisions and in assisting LDCs in taking maximum advantage of the differential treatment accorded to them. In addition to enhanced trading opportunities, LDCs would need external finance for product diversification, infrastructure, institution-building and human resources development. Foreign investment could also play an important role in capacity-building. He hoped that the international community would implement seriously the provisions for differential treatment in the Uruguay Round agreements in respect of the least developed countries.

279. Finally, he expressed concern over the consideration of new issues, which might result in new conditionalities, thereby reducing market access for LDC exports. Any discussion on new issues must therefore take into account the special needs of the least developed countries and create opportunities for greater market access for these countries.

280. The representative of **Switzerland**, while commending the Trade and Development Report as it related to the Uruguay Round results, noted that more attention should have been paid in it to the Round's impact on developing countries. She also did not share the UNCTAD secretariat's negative views concerning the possible erosion of trade preferences enjoyed by developing countries, particularly by the least developed among them, and concerning constraints resulting from the Round's results on development policy options of developing countries. On the other hand, she supported the secretariat's conclusions regarding the increased administrative burden that would be faced by developing countries in implementing the Uruguay Round agreements. UNCTAD and other international organizations should assist each developing country to increase its capacity for adaptation. In this context, technical cooperation projects in favour of African countries should become a priority for UNCTAD. However, greater efforts would be required from the developing countries themselves to mobilize adequate human resources in their relevant administrations. The least developed countries also needed practical advice in order to make best use of the Round's results, to facilitate their adjustment to the new multilateral trading environment and to enable them to participate fully in the WTO.

281. The spokesman for the **African Group** (Nigeria) said that the scope of the agreements embodied in the Final Act posed challenges and opportunities: challenges coming from having to adopt policies that went beyond trade per se and to subject various policy instruments to multilateral disciplines; opportunities deriving from trade liberalization in sectors that had escaped

multilateral rules and disciplines, such as agriculture, in addition to strengthened and clearer rules which provided overall security and predictability in an environment of improved market access.

282. He recognized that, for African countries, the immediate gains from trade liberalization would be limited, and the effects in the principal export markets could be negative, due to erosion of margins of preference. These losses were unlikely to be offset by reduced MFN tariff rates in other major markets where African countries also enjoyed preferential access.

283. One area that had raised concern was the likely negative impact of agricultural trade liberalization on net-food-importing countries. As in the case of market access, the problem here was not the liberalization and the freeing of agricultural trade from protectionism and subsidies, but the lack of capacity and resources in African countries to take advantage of the opportunities that the agricultural reform programme gave rise to. A combination of financial and technical assistance to boost agricultural production and productivity would be indispensable in both the short and the medium term to offset the negative impact. The best endeavour provisions in the Final Act would need to be translated into stronger political will to take concrete action. Otherwise, any gains from agricultural trade liberalization would again bypass African countries.

284. In the long run, reduced and complete elimination of MFN tariffs offered far more secure market access than preferences. This was why African countries fully subscribed to trade liberalization in the Uruguay Round and strengthened rules to underpin it. The fact remained that competitive advantage could not be assured for long through margins of preferences, and this had been confirmed in the evaluation of the market access results of the Round. They therefore needed more imaginative long-term solutions to overcome their competitive disadvantage deriving from dependence on primary exports, a weak industrial and export base and technological backwardness. African countries risked further marginalization in the new international trading system if decisive action was not taken to meet these urgent needs. Action in the form of debt relief, targeted improved access conditions and increased foreign direct investment flows was also needed to meet these challenges. He supported the proposal in the Trade and Development Report to expand the measures taken by the Group of 77 on the bilateral level with regard to loans by the World Bank and IDA. African countries welcomed the assistance that UNCTAD and GATT were providing to ECA and OAU in organizing a ministerial meeting in Tunis on how African countries could take better advantage of the Uruguay Round results and better fit into the new international trade order.

285. The expanded scope of the agreements under the WTO meant that UNCTAD would have an important role to play in extending technical assistance in the field of institutional and human resources capacity-building in order to assist countries in the implementation of the results. UNDP/UNCTAD's technical assistance to developing countries was outstanding and should be seen as having made a significant contribution to the success of the Uruguay Round. UNCTAD's continued technical support in the implementation phase would be able to draw on the considerable experience accumulated from the MTN projects within the framework of which the programme of assistance for the Uruguay Round had been extended to developing countries. African countries

again requested that UNCTAD, with the financial support of UNDP and other donors, put in place a programme of assistance for Africa. Given that the transitional period for the implementation of the Round was limited, the earliest availability of such assistance was of crucial importance. Such assistance should include adaption of trade policies and legislation to implement the various agreements; assistance to help African countries identify trading opportunities from the Uruguay Round; measures to build competitiveness and export delivery structures; human and institutional capacity-building to strengthen trade policy formulation; technical assistance to build up trade services infrastructure (information networks, telecommunication transport, etc.); and organization of workshops for African countries.

286. The representative of **Mexico** said that his delegation fully supported the views of the representative of Ecuador with regard to the bananas issue. For his country, the European Union's common import regime for bananas and the framework agreement attached thereto were inconsistent with the GATT/WTO rules and they should therefore be amended so that the rights and trade interests of all parties were respected.

287. The representative of **Ukraine** said that the finalization of the institutional and legal framework for the new world trade and economic order was happening at the same time as the reform of the economic system of Ukraine and in fact had already become an important stimulating factor in the implementation of economic reforms. One of the highest priorities in the economic reform process in Ukraine was accession to the GATT/WTO system and reform of the Ukrainian economy in accordance with the rules and principles of GATT/WTO.

288. A number of problems still existed in the trade and economic relations between Ukraine and Western countries, and these problems were slowing down the process of reform. Above all, an anti-dumping campaign was being conducted against certain Ukrainian products, and the number of investigations against products of Ukrainian origin continued to increase. This could create serious social and economic problems for Ukraine.

289. One very important question for Ukraine concerned technical assistance, including assistance from UNCTAD, with the aim of harmonizing the legislation of Ukraine with the norms and principles of GATT and obtaining non-discriminatory access to the markets of Western countries for products of Ukrainian origin.

290. In addition, Ukraine, like other CIS countries, was in great need of the newest Western technologies in different spheres of the national economy. The main step in this respect could be the annulment or at least the significant reduction of restrictions imposed by the West on the transfer of technology to countries with economies in transition. Though some changes had occurred in that direction, further support in that respect was needed from countries members of UNCTAD. Another equally important factor would be to provide countries in transition with the status of beneficiary in the framework of GSP for the transition period. This status should be prolonged for at least five more years.

291. The **Officer-in-Charge of the International Trade Division**, responding to comments made on the attention given in the Trade and Development Report 1994 to the interests and concerns of developing countries, pointed out that, in his introductory statement, he had stressed the initial nature of the secretariat's assessment of the Uruguay Round outcome. Lack of time and data had prevented an in-depth quantitative analysis of the effects of the Uruguay Round on trading nations, particularly the developing countries. While the Report focused primarily on the impact of the Uruguay Round on the trading system, several elements of the agreements were highlighted which could have particular consequences for developing countries. The Supporting Papers traced how the concerns of developing countries had been dealt with in the negotiation of each of the agreements examined. All the provisions for differential and more favourable treatment for developing countries were also identified. What remained to be done was a more detailed analysis of the market access conditions for products of export interest to developing countries, including identification of the actual tariff reductions and the resulting tariff profiles. This analysis would be undertaken in the context of the Working Group on Trading Opportunities in the New Trading Context.

292. Concerning the relevance of policies followed by some highly successful countries in East Asia to the development policy options in the post-Uruguay Round system, the discussion of development experiences in the Trade and Development Report 1994 was intended to convey the message that there was no infallible recipe for development, that development policies should be based on pragmatism, not ideology, and that there was room even in heavily market-oriented economies for Governments to provide incentives for the development of strategic sectors. The Trade and Development Report was advocating neither inward-looking industrial policies nor export promotion which disregarded multilateral obligations. The point was rather that the formulation and implementation of development strategies and trade policies in developing countries would be influenced by the adjustment to their new, more stringent multilateral obligations in such areas as tariff reductions, export subsidies, TRIMs and TRIPs. The time-bound derogations allowed by the Uruguay Round agreements under the differential and more favourable treatment reflected the recognition that the phasing-in of obligations could be an essential component of development policy.

Action by Sessional Committee I

293. At its sixth (closing) plenary meeting, on 28 September 1994, Sessional Committee I approved draft agreed conclusions submitted by the Chairman (TD/B/41(1)/SC.1/L.3) and recommended them to the Board for adoption.

Action by the Board

294. The action taken by the Board on agenda item 5 is reported in TD/B/41(1)/14(Vol. I), section I.A. (See agreed conclusions 419 (XLI)).

Chapter V

CELEBRATION OF THE THIRTIETH ANNIVERSARY OF UNCTAD

(Agenda item 6)

295. In his opening statement on this item, the **President of the Board** recalled that UNCTAD had been created 30 years ago in the continued absence of an international trade organization and in response to the need to formulate and promote the interests of the developing world. However, while the global order had changed over the past three decades, the disparity between the developed and the developing countries persisted. In addition to the problems of countries in transition, UNCTAD had to tackle other new issues such as governance, environment and intra-country poverty, as well as old unsolved problems, notably debt, commodity dependence and an unbalanced trading system. UNCTAD's new role had to be shaped in the post-Uruguay Round in response to the new environment and challenges. This would be influenced by the need to devise a more rational division of labour among international institutions, taking into account in particular the creation of new ones such as the World Trade Organization (WTO). UNCTAD had demonstrated its ability to adapt to changing realities and should continue to redefine its role in the light of new exigencies.

296. The **Officer-in-Charge of UNCTAD** observed that UNCTAD had been created in 1964 to bring about changes in the world economic order that would allow developing countries to participate more fully in the world economy. The mission assigned to UNCTAD at that time remained as valid today as it had been then, and was enshrined in the commitment of member States to lay the foundations of a better world economic order. The world, since UNCTAD's creation, had witnessed rapid and profound changes with implications for the development process. UNCTAD's mandate involved the responsibility to understand these changes. Fair opportunities for all, combined with special support for the weak in the search for sustainable development, were policy orientations of many of UNCTAD's debates, which reflected a pragmatic effort to give concrete meaning to the New Partnership for Development proclaimed at UNCTAD VIII. UNCTAD IX will be an opportunity for the international community to reflect on the deeper meaning of the momentous changes the world had witnessed in the 1990s. The challenge for UNCTAD was to define the parameters and characteristics of the new development problematic and to develop a constructive analytical response to the underlying issues. Pragmatism was also the hallmark of UNCTAD's current debate on development policy. Particularly -but not solely - for those developing countries which lacked the basic physical and institutional infrastructures necessary to be able to exploit opportunities for participating more actively in the world economy and which were plagued by yet other problems, experience had shown that policies of economic openness and liberalization alone could not produce the desired responses. For each country there was an appropriate combination of domestic and external conditions which needed to be identified and promoted. UNCTAD's work would have to explore on the one hand the dynamics of the world economy and the interactions among different policy areas, and on the other the economic process in developing countries and the links which bound these economies to their external environment. The integration of the developing economies into the world economy was in the common interest of all countries.

As underlined by the United Nations Secretary-General, lasting peace and security at both the national and international levels depended on development.

297. **Dr. Gamani Corea, former Secretary-General of UNCTAD**, said that UNCTAD could be proud of its achievements over the past 30 years. This was, however, an occasion to look to the future. UNCTAD must be aware of the changes taking place in the world and in the role of the United Nations, but these changes should not detract from the fundamental task it had in shaping the global development process. UNCTAD had to follow the evolution of the international economic system and its impact on developing countries. Success depended on three basic conditions: first, the development process was in the interest of all member States, and it was part of UNCTAD's work to articulate this common interest; secondly, UNCTAD's activities must take into account the new realities and be based on a broader interpretation of the development process; thirdly, the focus on development must be retained and developing countries should enhance their presence and negotiating capability in UNCTAD.

298. The representative of **Switzerland** said Geneva and the Swiss Government were proud to have served as host to UNCTAD over the past 30 years - an institution which had evolved as a special and universal forum for international cooperation for development. UNCTAD had reacted in a dynamic way to the challenges created by the end of the cold war. In particular, the Cartagena Commitment was an instrument to stimulate current opportunities for international economic dialogue. The conclusion of the Uruguay Round and the establishment of the WTO represented a new challenge for UNCTAD which could result in a considerable enhancement of its role in the future as a forum for policy analysis, deliberations and consensus building. Work carried out recently in the area of trade and environment was an excellent example of this ability. Such an approach would also be required in the follow-up of the Uruguay Round. One priority task was to ensure that its results did not remain for developing countries a legal framework without real substance. In this context, the forthcoming United Nations International Symposium on Trade Efficiency was of capital importance - a sort of "micro-economic Uruguay Round" - which would help developing countries to take advantage of the new framework of world trade. The Swiss Government believed that UNCTAD would be able to tackle successfully the great number of tasks ahead. UNCTAD IX would have to consolidate the process started at Cartagena and firmly position the organization within the new international trading system. Finally, he said that Switzerland reaffirmed its support and commitment for UNCTAD.

299. The spokesman for the **African Group** (South Africa) said that UNCTAD had always been and still remained the focal point within the United Nations for trade and development issues. UNCTAD provided through its 30 years of activities a forum where developing and developed countries could openly discuss their views on the development process. The provisions of the Cartagena Commitment showed the ability of the organization and its members to grasp the opportunity for change. Among UNCTAD's achievements, some were of particular importance to Africa, such as the GSP, the Common Fund for Commodities and various international commodity agreements. Finally, he pledged Africa's continued support to UNCTAD.

300. The spokesman for the **Asian Group** (Sri Lanka) said UNCTAD's thirtieth anniversary was being celebrated in a year that stood on the threshold of a new international trading system. UNCTAD could be proud of its achievements and he paid tribute to UNCTAD's role as initiator of a number of programmes to assist developing countries in the development process. These achievements had resulted largely from the outstanding contributions from the four Secretaries-General who had guided the institution through these often difficult years. The philosophy of UNCTAD had always been to promote economic development and trade through international cooperation. This had resulted in the establishment at Cartagena of a partnership which would steer UNCTAD's activities in the post-Uruguay Round international trading system. UNCTAD's role, as stated in the Cartagena Commitment, comprised policy analysis, deliberations, consensus building and negotiations, monitoring, implementation and follow-up and technical cooperation. This gave UNCTAD a complementary role to that of WTO, which was vested largely with powers of decision and rule-making. UNCTAD's role in the creation of ideas, policy analysis, technical assistance and advice to weaker trading partners would become more important in the years ahead, in particular in such fields as competition policy, services, and trade and environment. He believed UNCTAD was the most appropriate focal point with the United Nations for the integrated treatment of development and the interrelated issues.

301. The spokesman for the **Latin American and Caribbean Group** (Trinidad and Tobago) said this was an occasion to reflect upon and the great strides made by UNCTAD in advancing the cause of developing countries in the past 30 years. Initiatives in the areas of finance, trade, technology, commodities, and services, as well as activities in support of the LDCs and in favour of ECDC, had contributed significantly to the building of a solid foundation for development strategies in developing countries. After 30 years, a new generation of players must grapple with new problems and challenges, including those related to the results of the Uruguay Round, and seek to ensure greater support for UNCTAD's efforts. UNCTAD's functions should be strengthened in the areas of global analysis and policy coordination, negotiations and follow-up, and technical cooperation, as affirmed in the Cartagena Commitment. In fulfilling this role, UNCTAD should not lose sight of its main concern, i.e. that of engendering change in the international environment, which must be more conducive to the needs of developing countries. To attain this objective, countries must strengthen the consensus-building process and adopt action-oriented decisions.

302. The spokesman for the **European Union** (Germany) said that UNCTAD had demonstrated its ability to react to the developments which had marked the world economy over the past 30 years. In the process, confrontation had given way to partnership. He stressed that the process of internal reforms agreed at UNCTAD VIII should be pursued in the framework of the preparations for UNCTAD IX. The European Union stood ready to cooperate in an active manner to ensure that UNCTAD remained, in its fourth decade, an important forum for discussion and analysis in international economic cooperation. In particular, UNCTAD has to strengthen its support for South-South cooperation. UNCTAD would also have to find its place alongside WTO and other international organizations working in the field of trade and development.

303. The representative of Norway, speaking on behalf of the **Nordic countries Denmark, Finland, Norway and Sweden**, said that these countries had always regarded UNCTAD as an important forum for deliberations on issues related to trade and development. UNCTAD had helped, sometimes through controversial discussions, to make developing and developed countries more sensitive to each other's needs and aspirations. UNCTAD had also demonstrated its ability to take up new and emerging issues. In particular, sustainable development, trade and environment and transfer of environmentally sound technologies had become an important dimension of UNCTAD's work. UNCTAD had an important role to play in assisting developing countries to implement the outcome of the Uruguay Round and take full advantage of the opportunities offered by the new global trading regime. Expressing the satisfaction of the Nordic countries with developments which had taken place in UNCTAD since Cartagena, he said that reform should continue in order to enable UNCTAD to have an important role in the partnership for sustainable development.

304. The representative of **China** congratulated UNCTAD on its anniversary and said the organization had achieved fruitful results in the interest of developing countries over the past 30 years. As part of the commemorations of the thirtieth anniversary, he recalled that the Chinese Government had hosted a Seminar on Trade Prospects for the Year 2000 and Beyond for the Asia-Pacific Region, co-sponsored by ESCAP and UNCTAD. Since the economic conditions of the vast majority of developing countries were still a matter for great concern, UNCTAD's responsibilities were heavy and the organization should be strengthened. China hoped to see UNCTAD reinforce its unique role in the field of international trade and development.

305. The representative of **Bulgaria**, speaking also on behalf of Belarus, Czech Republic, Poland, Russian Federation, Slovakia and Ukraine, said that, since its creation, UNCTAD had marked a new stage in the conceptual and institutional approach to global development. In particular, it had provided a forum for an ongoing universal dialogue among States on sensitive development issues. UNCTAD had resolved several of the problems confronting the world community in the areas of trade, finance, commodities and shipping. The organization had managed to adapt to a changing environment and the Cartagena Commitment had made the organization more responsive to the challenges of the times. UNCTAD was regarded by its members as one of the main organizations within the United Nations for dealing with trade and development issues. Most importantly, UNCTAD had preserved a universal character, both in terms of the participants in its work and the scope of economic problems it tackled. Its role in studying and providing ideas for the New Partnership for Development had been noteworthy. The future of the organization depended on its ability to improve its performance and to adopt a pragmatic approach to the solution of country-specific problems, as well as on its efficiency in using its human and financial resources.

306. The spokesman for **Group B** (Spain) praised UNCTAD's ability to adapt through the years to a changing environment. Constant readjustment to evolving situations should be the guiding principle of the organization for the years ahead. UNCTAD should also take maximum advantages of the high quality of its human resources.

307. The representative of **Japan** expressed his satisfaction with UNCTAD's evolution since UNCTAD VIII. The organization had become the place for substantial and fruitful discussions on development issues. Once the WTO was established, UNCTAD should not lose its identity as the organization which dealt primarily with the development of developing countries. No other organization could take up development issues from as wide a range of viewpoints as UNCTAD. Referring to the regional seminar for the Asia-Pacific region which Japan had financed and which was part of the activities organized to celebrate UNCTAD's thirtieth anniversary, he said that the seminar identified the themes on which UNCTAD ought to concentrate as a result of the conclusion of the Uruguay Round. These were, in particular, the relationship between trade and environment, the internalization of environment costs, the links with labour issues, and questions related to competition, erosion of GSP and tariff escalation.

308. The representative of **Belarus** said that UNCTAD's role should be greatly enhanced as a result of the conclusion of the Uruguay Round. UNCTAD remained a major forum for the analysis of developmental issues. He further referred to the difficulties experienced by his country during the transition phase and expressed gratitude to UNCTAD for its useful analysis and recommendations in this respect.

309. The representative of **Austria** expressed appreciation for the work which had been done by UNCTAD in preparing broad policy guidelines as well as in providing technical assistance to developing countries. UNCTAD served as a very productive forum for providing responses to the challenges of international trade and development. It was perhaps the only economic forum of universal membership in which all developing countries were represented. Austria appreciated the high quality of UNCTAD's studies, and the conceptual work undertaken on structural adjustment policies and issues of international trade liberalization contributed to sustainable economic reforms in developing countries. The annual Trade and Development Report was a precious instrument for promoting further reflection and discussion. Finally, he stressed the need to find efficient ways to support the enhancement of economic and human potentials in Africa.

310. The representative of **Ukraine** underlined that, as a result of the restructuring of its institutional base at UNCTAD VIII, the organization had strengthened its position as a political instrument for balancing the trade interests of developing and developed countries. UNCTAD had contributed to the creation of effective foreign trade policy in many developing countries and countries in transition. The successful conclusion of the Uruguay Round had strengthened the role of UNCTAD in the multilateral trading system. UNCTAD would be called upon to assist developing countries and countries in transition in the implementation of the Uruguay Round Agreements. Finally, he thanked UNCTAD for its contribution to the development process of countries in transition, and in particular for the support extended through its technical cooperation activities.

311. The representative of **Bangladesh** said that if the developing countries could take a common position on issues such as adequate resource flows, stable commodity markets, reduced debt burden, demolition of protectionist trade barriers, market access, labour standards, environmental issues, and a better

regime of interest and exchange rates, the developed countries would respond positively in furtherance of their own interests. The developed countries needed the markets for their products in the developing countries. They needed to locate their investments in countries having cheap labour. They needed the raw materials from the developing countries. The developed countries sought employment for their experts in developing countries. They also attracted meritorious young people from these countries and needed the immigrants to supplement their workforce. Therefore, the developed and the developing countries needed each other for mutual benefit. The future of UNCTAD lay in promoting and sustaining cooperation among the developed and the developing countries.

312. The **Managing Director of the Common Fund for Commodities** recalled that UNCTAD had been instrumental in establishing the Common Fund, which was one of the concrete outcomes of the North-South dialogue. Trade liberalization resulting from the conclusion of the Uruguay Round would probably increase the burden on developing countries, particularly LDCs. Much remained to be done and both UNCTAD and the Common Fund must continue their efforts in the field of commodity cooperation and development. UNCTAD and the Fund would have to fill in the gaps left by the Uruguay Round Agreements. It was particularly necessary to remedy or alleviate the effects of global trade liberalization and ensure that developing countries had access to global markets. Part of the resources required might be met by using resources from the First Account of the Common Fund. In conclusion, he said that UNCTAD and the Fund shared the same viewpoints and objectives and should work together in the future in assisting the South to integrate fully into the new international trading system.

Action by the Board

313. The Declaration adopted by the Trade and Development Board on the thirtieth anniversary of UNCTAD is reproduced in TD/B/41(1)/14(Vol.I), section I.A. (See decision 416 (XLI)).

Chapter VI

UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

(Agenda item 7)

314. For its consideration of this item, the Board had before it the following documentation:

"Developments in the economy of the occupied Palestinian territory, with special reference to external trade: Report by the UNCTAD secretariat" (TD/B/41(1)/3).

Consideration in Sessional Committee II

315. The **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** stated that the deliberations on the item were being held at a crucial time in the history of the peoples of the Middle East. She had great pleasure in supervising the secretariat's programme of assistance to the Palestinian people at this important stage. She hoped that all delegations concerned would support the secretariat in its task. The Palestinian authority needed the full support of the international community to fulfil its mission. She hoped that in the deliberations on this item, delegations would offer their support, points of view and advice, which the secretariat would carefully consider in further developing its programme of assistance to the Palestinian people.

316. In his introductory statement, the **Chief of the Special Economic Unit** examined major elements of the new policy environment created by the signing by Israel and Palestine of the landmark Declaration of Principles on Interim Self-Government Arrangements and the subsequent agreements, assessed the implications of main challenges facing the nascent Palestinian self-government authority regarding the revival and sustained growth of the Palestinian economy and reviewed the nature and extent of international assistance to the occupied territory.

317. He stated that the Protocol on Economic Relations signed by Israel and Palestine in May 1994 as part of the Agreement on the Gaza Strip and the Jericho area constituted the main component of the new policy environment. It provided a real and immediate opportunity for the Palestinian people and their nascent government authority to elaborate appropriate policies, establish and build credible institutions and implement urgent programmes aimed at guiding the process of structural transformation in the occupied territory during the five-year interim period. It covered cooperation in nine areas of Israeli-Palestinian economic relations, reflecting the foresight and determination of both parties to recognize each other's independent rights and needs and to join forces on an equal basis in order to promote the development of their two societies in harmony and peace. Significant developments had also taken place in the policy environment affecting Palestinian economic relations with its historic Arab partners, expanding yet further the scope for Palestinian-Arab economic cooperation in the coming years and paving the way for the reintegration of the Palestinian economy in its traditional markets.

318. The Palestinian economy in general and its trade sector in particular continued to feature a weak, fragmented and poorly articulated productive base, composed mainly of small-scale production and marketing units. Where attempts had been made in recent years to revive and expand the productive sectors, the absence of an indigenous policy-making mechanism, regulatory bodies, and financial and manpower capacities, coupled with a range of other constraints, had prevented coordination in the formulation and implementation of required policies and measures. Vigorous policy measures were called for to help expand outputs, diversify trade and exploit complementarities. The Palestinian authority was expected to address itself to these and other priority areas of the economy during the interim phase.

319. The pressing needs on the ground and the challenge of securing the peace called for commensurate international action and support. International investors had shown keen interest in participating in the revival and reconstruction efforts and had made initial commitments to that effect. Some components of the assistance programme launched by the international community in favour of the Palestinian people had also begun to materialize, including financing part of the current budget deficit of the self-government authority as well as about one third of the 1994 Palestinian public investment programme. These developments constituted hopeful signs for the realization of immediate and longer-term development objectives.

320. Now that the process of reform and reconstruction had begun, and pursuant to the provisions of General Assembly resolution 48/213, the UNCTAD secretariat had joined the rest of the United Nations system, and the international community as a whole, in welcoming the opportunity that recent developments had afforded to act more effectively in extending assistance to the Palestinian people in their time of greatest need. To this effect, the UNCTAD secretariat had initiated an integrated programme of technical assistance in favour of the Palestinian people. The programme covered areas where the secretariat had established operational capacities and addressed such specific areas as export diversification and trade development, customs and trade facilitation, trade statistics, debt management, external financial flows and investments, domestic financial markets, insurance, and transport, as well as the regulatory framework affecting these areas and the business environment in general. The overall aim of the programme was to contribute to Palestinian institution-building in the above areas and enhance the capabilities of the self-government authority.

321. He concluded by stating that the secretariat would soon hold consultations with the Palestinian authority and other relevant parties on the proposed programme. Similarly, it intended to discuss it with the United Nations Special Coordinator in the Occupied Territories, in addition to its current and future work programme on the Palestinian economy. It was hoped that after these consultations the proposed programme would receive wide support at both the bilateral and multilateral levels, including sources that had made commitments to the reconstruction and development of the Palestinian territory over the interim period.

322. The representative of **Palestine** expressed his appreciation for the in-depth and objective secretariat report, which provided important future guidelines for developing the Palestinian economy and improving the living

conditions of the Palestinian people. He thanked the secretariat and the Special Economic Unit for their considerable and concrete efforts in this regard.

323. The world accorded great attention to the need for improving economic and social conditions in the areas under the Palestinian interim self-government authority, in the light of the circumstances created by Israeli occupation and the destruction of the economic and social infrastructure. Consequently, many States had hastened to provide financial support and technical assistance to establish a new infrastructure, promote the revival of Palestinian economic and social development, and participate in establishing a just and lasting peace after the suffering of the region as a whole for many years. However, this willingness had been confronted until now by political obstacles which had impeded the implementation of pledges of support, as in the recent Paris meeting of donors when the Israeli delegation had refused to consider Jerusalem as part of the territory occupied in 1967, thus excluding Palestinian development projects proposed for that part of the occupied territory. Other political factors had also played a role in impeding the implementation of international assistance to the Palestinian people.

324. He stated that the major challenge facing the Palestinian people, in addition to that of economic and social development, was to secure international support based on a clear recognition of the aspirations of the Palestinian people and their national rights in their homeland. Support for the independent future of the Palestinian people was necessary to achieve the long-term aim of peace, security and stability for all peoples and States of the region. Therefore, he expected the international community to play an important role commensurate with the basic needs of the Palestinian people. This required donors' full coordination and their active participation in rebuilding the infrastructure, developing the economy and relieving Palestinian society from the sufferings of years of occupation. This placed a special and increased responsibility on the Special Economic Unit and UNCTAD in providing assistance to the Palestinian people. In concluding, he reaffirmed his appreciation and support for the findings of the secretariat report, including the proposals it contained for technical cooperation activities.

325. The representative of **Israel** noted with satisfaction that, one year after the signing of the Declaration of Principles, a great distance had been travelled and progress had been made, notwithstanding the many problems yet to be solved. While political issues could not be resolved if the economic dimension was disregarded, no progress could be made on the economic front as long as political differences remained. Israel was fully aware of the necessity for economic development in Gaza, Jericho and the rest of the West Bank. It was imperative for the success of the peace process that the standard of living in these areas be raised and that there be an economic take-off.

326. The first steps of the programme set out in the Declaration of Principles had already been implemented. So far as the Palestinians' control over their economic activities was concerned, a start had been made in establishing the necessary infrastructure. The Protocol on Economic Relations between Israel and the Palestine Liberation Organization (PLO) defined a framework of powers

for the Palestinian authority during the interim period, which was to apply immediately to the Gaza Strip and Jericho area, and at a later stage to the rest of the West Bank. The Protocol was a complex and detailed document which empowered the Palestinian authority in a range of fields: imports and customs; monetary and financial issues, including taxation; labour mobility and social insurance; the free movement of agricultural and industrial goods between the two sides; insurance issues; and tourism.

327. He considered that a start had been made, but in order to make it possible for the Palestinians to achieve economic self-sufficiency, it was incumbent on the world community to make available as much aid as possible. This included expertise and technical assistance, preparation of economic projects and financial assistance. The United Nations had a major role to play and UNCTAD's potential contribution might well be a valuable one. UNCTAD's views on the matter were reflected in its report and in the many studies referred to in paragraph 77 of that report. While refraining from comment on the specific proposals contained in the report pending further study, Israel welcomed and encouraged all assistance efforts offered in an objective and impartial spirit. In the context of United Nations assistance, a crucial role was to be played by the Special Coordinator, whose tasks included ensuring that the various United Nations agencies active in the development of the territories would complement and not duplicate each other.

328. International donor States had pledged nearly $3 billion for the period 1994-1998. These funds were needed both for Gaza and Jericho as well as for the financing of early empowerment elsewhere. Small amounts had been made available to meet immediate expenses even though the funds were not primarily intended for that purpose, but rather for projects aimed at making the areas self-sufficient. Donor countries had been reluctant to transfer funds until fundamental operational transparency and accountability had been achieved - a requirement basic to all systems.

329. He recalled that, at the donors' conference held earlier in the month, certain political difficulties had arisen because the initial Palestinian set of proposals had contained references to Jerusalem, an issue not to be dealt with until a later stage according to the Declaration of Principles. The difficulty had been resolved through a declaration that the two sides would not bring before the donor community those political issues that were unresolved between them. An unofficial meeting of the Ad Hoc Liaison Committee was to be convened as soon as possible in Paris. That meeting would endeavour to cover the urgent needs of the Palestinian authority, including early empowerment, and subsequently to focus upon the longer-term development needs of Gaza and the West Bank.

330. He believed that in an interdependent world, all development must be regional development. This was recognized in the Declaration of Principles and, in the context of this approach, Israel was attempting to encourage projects of a regional nature, financed by private and public investment. The success of the forthcoming summit conference to be held at Casablanca, at which a package of potential regional projects would be presented, would be a major boost for the economic development of the region. In concluding,

he called upon all States and international organizations to contribute to the peace process for the benefit of the Palestinians themselves and the Middle East as a whole.

331. The representative of **Norway**, after thanking the UNCTAD secretariat for the well focused and balanced document on the item, stated that the last year had witnessed unprecedented progress in the Middle East peace process. The Declaration of Principles and subsequent agreements had a clear potential for promoting social and economic development, including trade expansion, in the autonomous Palestinian areas. In order to achieve that, however, the international community must be willing to mobilize the financial resources necessary for infrastructure, institution-building, start-up and recurrent costs. The Palestinian authority was currently facing serious economic problems, especially in financing recurrent costs. In this critical situation, every effort must be made to speed up international assistance to meet the most urgent short-term needs. Failure to do so could endanger the prospects of long-term development.

332. As Chairman of the Ad Hoc Liaison Committee, Norway was continuously involved in the international assistance efforts. During informal consultations in Oslo on the occasion of the first anniversary of the signing of the Declaration of Principles, Israel and the PLO had agreed on a number of undertakings. Of particular importance, they had undertaken not to bring issues of political disagreement before the donor community in future. This should induce donor countries to speed up disbursement of their pledges. Norway had pledged $150 million in assistance to the Palestinian people.

333. Norway welcomed the UNCTAD secretariat's initiative to undertake an integrated programme of technical assistance to the Palestinian people, to be carried out in cooperation with UNDP. The areas singled out - trade, transport, finance and investment - fell well within UNCTAD's field of competence. The programme must be coordinated with that of other bodies and institutions involved, and the secretariat should maintain close cooperation with the United Nations Special Coordinator in further elaborating and implementing the programme.

334. The spokesman for the **European Union** (Germany) thanked the secretariat for its timely and comprehensive report and welcomed the most recent developments in the Middle East peace process, which had taken on a new quality since the signing of the Declaration of Principles. The European Union, both as a community and on an individual country basis, was actively participating in the five multilateral working groups of the Middle East peace process on the subjects of regional economic development, water, environment, refugees, and arms control and regional security. He described the central elements of the Joint Action to Support the Middle East Peace Process, which had been adopted by the European Union's Council of Ministers on 19 April 1994, and which contributed a clear demonstration of the European Union's support.

335. By virtue of its budgetary contributions alone, the European Union was already the major donor in Gaza and the West Bank. In the light of the positive developments in the Middle East, aid from the European Union's budget in 1993 had been raised by 20 million ECU ($25 million) to a total of

90 million ECU ($110 million). For the period 1994-1998, a total of 500 million ECU (more than $600 million) in direct aid had been budgeted. Half of this sum was being provided in the form of non-refundable subsidies, and the other half in the form of loans from the European Investment Bank.

336. The European Union recognized that UNCTAD's studies on the state of economic development in the occupied territories over many years had contributed to the awareness of both sides of the need to resolve the question of the occupied territories peacefully, and had thus made some contribution to the Middle East peace process. With progress in the peace process and the setting up of multilateral working groups and the donor Ad Hoc Liaison Committee, there was now an adequate structure for the promotion of support by the international community for economic development in the occupied territories. UNCTAD could make its contribution in the fields where it had comparative advantages, within the framework of these bodies and in close concert with them.

337. The European Union was resolved to continue its support for the Middle East peace process and, so far as possible, for economic development in the occupied territories.

338. The representative of **Japan** stated that Japan welcomed the signing of the Declaration of Principles as a significant step forward and a contribution to the peace process in the region. Recognizing that it was essential for the international community to support this agreement actively and promptly, Japan had announced its intention to extend about $200 million in assistance to the Palestinians over the coming two years. The assistance included grant aid for food and medicine and concessional loans for infrastructure. His Government had initially disbursed approximately $50 million through multilateral institutions as assistance for the development of the West Bank and Gaza. This assistance included the construction of temporary housing for refugees, improvement of garbage collection, provision of medical equipment, infant vaccination, improvement of water supply and sewage treatment and the partial coverage of certain administrative expenditures.

339. One of the crucial tasks of the Palestinian interim self-government authority was to maintain law and order in the Gaza Strip and Jericho area. Japan condemned any act of terrorism by extremists opposing the peace process and hoped that the recently installed Palestinian police forces would function effectively. Another important task for the Palestinians was to cover the initial expenses of the interim self-government. Japan had decided to extend an additional $9 million over and above the assistance already extended for administrative expenditures. In that connection, he appealed to the Palestinian authority to make every effort to reduce future budget deficits. Any government had to be supported by taxes; he hoped that the Palestinian authority would progressively build up its tax collection capacity. Japan was prepared to offer a training course to help build up a Palestinian tax authority.

340. The establishment of the Palestinian interim self-government had enabled Japan to extend its bilateral assistance directly to the Palestinian authority. Japan had dispatched a project-finding mission in July 1994 to study the fields of infrastructure, education and medical care. Medical care

was a field on which Japan had focused careful attention with a view to upgrading living conditions in the occupied territories. The Government of Japan urged the Palestinians to do their utmost to make their organization more effective in receiving aid and in implementing projects. With regard to technical assistance, Japan had accepted Palestinian trainees in the fields of administration, environmental protection and vocational training and would continue to offer training in the 1994 Fiscal year.

341. He added that the provision of economic assistance to the other neighbouring countries in the region was no less important and Japan had pledged aid to Egypt, Jordan and the Syrian Arab Republic.

342. The representative of **Egypt** stated that this item was being deliberated at an important stage which called for the pooling of efforts to establish the bases of the Palestinian people's economy and future prosperity. The signing of the Declaration of Principles by the Israeli and Palestinian sides and the subsequent Cairo Agreement manifested the spirit of cooperation and the desire for peace of both parties. This constituted a basis for further progress towards peaceful coexistence and the achievement of a just and comprehensive peace in the Middle East.

343. Expressing appreciation for the report by the secretariat, she added that, among other issues, the report pointed to the shortcomings in official data on Palestinian economic performance since 1988. The Palestinian national authority needed assistance in rectifying this situation and she welcomed the secretariat's specific proposals to strengthen Palestinian capacities with regard to foreign trade and related statistics. Statistical series on other sectors of the economy not included in the secretariat proposals should also be covered by the programmes of assistance of the donor countries and specialized international agencies.

344. The report also noted an interesting relation between official aid pledges and the possibilities for increased foreign private investment. This would provide an impetus to sustained growth of Palestinian economic capacities and job creation, the latter being crucial to a smooth transition. She welcomed the pledges already made by donor States and hoped that international aid flows would reach the occupied territory as soon as possible. In particular it was important to cover the deficit in the Palestinian Government budget for 1994, to enable the transitional government to shoulder its vast responsibilities, something that it could not bear alone.

345. She affirmed the need for coordination of the efforts of all involved, including the United Nations agencies, within the overall framework of the aims and priorities set out in the Palestine Development Programme. For its part, Egypt had repeatedly affirmed its support for the Palestinian transitional authority in order to enable it to face the challenges in all spheres. A first step in Egyptian-Palestinian economic cooperation and the reintegration of the Palestinian economy with its traditional markets had been taken with the signing of the Agreement on Economic and Technical Cooperation between Egypt and Palestine on 24 January 1994.

346. In concluding, she welcomed the secretariat's proposals for a programme of technical cooperation in fields where UNCTAD had established competence and experience. In cooperation with the Palestinian side, areas should be identified where this programme could be complemented by other international cooperation programmes to achieve the aim of sustained Palestinian development.

347. The representative of the **United States of America** congratulated the UNCTAD secretariat and the Special Economic Unit for its objective and balanced report. In the years to come, this document would be a standard reference on the great progress made in assessing the Palestinian people's needs with regard to their economic development and the progress made by several countries in moving towards peace in the Middle East. The report contained thoughtful proposals for a programme of technical cooperation which seemed very welcome. It appeared to be based on a careful matching of UNCTAD's expertise and capabilities with the trade and development needs of the territories in question.

348. He added that there was a need for thorough consultation with other donors, the intended beneficiaries and the Special Coordinator. He looked forward to hearing from the secretariat how it expected cooperation on this programme with UNDP and with the Special Coordinator to evolve. The United States Government had played its part in promoting the Middle East peace process, and it looked forward to hearing from the UNCTAD secretariat about its plans for the longer-term development of the occupied territories. He recognized that UNCTAD had a role to play, aside from the efforts of the various countries involved in dealing with the many economic and political problems that remained.

349. The representative of **China** noted that the secretariat had undertaken extensive research over the years and presented detailed reports on the subject of the occupied Palestinian territory. The present report not only highlighted recent economic developments in the occupied territory but also presented proposals for technical cooperation activities. He expressed appreciation to the secretariat for its proposals and its work in accordance with relevant General Assembly and UNCTAD resolutions on the subject. He hoped that the Board would give the proposals serious consideration.

350. The agreements signed by Israel and Palestine provided the basis for peace in the Middle East and guaranteed the economic development of the people in a stable and peaceful environment. The Palestinian national authority faced many problems in the task of improving the living conditions of the Palestinian people but he was confident that, with adequate international support, the Palestinian people and the Palestinian authority would meet these challenges. He hoped that the UNCTAD secretariat would continue to contribute to this process.

351. The representative of the **League of Arab States** expressed his deep appreciation to the staff of the Special Economic Unit for their continued work. The report before the Board constituted a comprehensive and wide-ranging document which was satisfactory from all angles, especially in its technical and economic aspects. From an initial examination of the report, it was possible to perceive the long-term economic and social

implications for the Palestinian people of the work of the Unit. Therefore he reaffirmed the requests made at previous sessions of the Board to support and strengthen the work of the Unit with additional expertise.

352. He added that the League of Arab States supported and cooperated with all agencies of the United Nations system involved in providing assistance to the Palestinian people, especially at the present stage. The recent decisions of the League's Council of Foreign Ministers affirmed the solidarity of the League and its member States with Palestine. It was now necessary for donor States to fulfil their pledges to Palestine so as to enable the Palestinian national authority to begin implementing its development projects. There was also a need for the United Nations system, and particularly the UNCTAD secretariat, to fulfil its mandate towards the Palestinian people through, inter alia, strengthening the Special Economic Unit. He expressed support for the statement of the representative of Palestine and other speakers in this regard. In concluding, he said that the League of Arab States would continue to provide the UNCTAD secretariat with all available data to help the secretariat in its work.

353. The **Chief of the Special Economic Unit**, responding to the questions raised by the representative of the United States of America, stated that preparations were under way to hold consultations with the Palestinian authority primarily on the substantive orientation and scope of the proposed technical assistance programme. These consultations were also intended to cover the financial and other logistical needs of the programme. The process of consultation would be extended to include UNDP and other parties concerned. The objective at this stage would be to establish complementarities with other technical assistance activities, avoid duplication of effort and optimize resource allocation. In the light of these consultations, the proposed programme would be finalized and presented to possible sources of funding, especially UNDP. UNCTAD would endeavour to intensify its cooperation with UNDP in its work on the Palestinian economy, with emphasis increasingly focused on operational activities. Cooperation in this area would be governed by UNDP guidelines and procedures for its involvement in support of technical cooperation activities.

354. Regarding the UNCTAD secretariat's plans for the longer-term development of the occupied territory, he drew attention to the intersectoral project on prospects for sustained development of the occupied territory, under which more than 20 economic and social sectors had been investigated in depth. The implementation of that project had been made possible by the provision of specific resources following General Assembly resolution 44/174 and contributions of regional organizations, including the League of Arab States and the Arab Industrial Development and Mining Organization, for which the secretariat reiterated its gratitude. Based on the results of Part One of that project, which dealt with the current socio-economic situation and needs of the Palestinian people, and bearing in mind the implications of the Declaration of Principles and subsequent agreements as well as the needs of the Palestinian authority, the secretariat had drawn up the proposed programme of technical assistance described in the report. The secretariat was now occupied with two complementary activities dealing with the future of the Palestinian economy. The first activity comprised preparation of an intersectoral study on the future prospects of the Palestinian economy under

different scenarios over the next 15-20 years. The study, which would constitute Part Two of the intersectoral project, would deal with such issues as the long-term requirements of independent development, macroeconomic issues of sustainable growth, scenarios of future development and policy variables, intersectoral issues and sustainable growth, and development of human resources. It was intended that the study should provide the basis for future action.

355. The second activity would aim at investigating the regional dimensions of the Palestinian economy, including resource endowments, stage of development, present and future development objectives, and strategies and policies in the Palestinian territory and its immediate neighbours. The study would identify complementarities on a bilateral, subregional and regional basis and provide strategy guidelines for exploiting them.

356. The secretariat would consolidate the findings of the two studies and establish guidelines for elaborating strategies for the long-term development of the Palestinian economy as well as its integration at the subregional and regional level. Action on the findings of the studies would be dovetailed with the proposed programme for technical cooperation described in the secretariat report, in order to ensure continuity and consistency of UNCTAD's assistance to the Palestinian people at present and in the long term. The secretariat would at all stages maintain close contact with the Special Coordinator as well as with UNDP and other parties concerned.

Action by the Sessional Committee

357. At its 2nd meeting, on 21 September 1994, the Committee took note of the report by the UNCTAD secretariat (TD/B/41(1)/3) and of the statements made during the formal debate on the item.

Action by the Board

358. The action taken by the Board on agenda item 7 is reported in TD/B/41(1)14(Vol.I), section I.B, item 7.

Chapter VII

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

(a) Progressive development of the law of international trade: twenty-seventh annual report of the United Nations Commission on International Trade Law

Action by the Board

359. At its 847th meeting, on 20 September 1994, the Trade and Development Board took note of the report of the United Nations Commission on International Trade Law on its twenty-seventh session (A/49/17), which was before the Board under cover of a note by the UNCTAD secretariat (TD/B/41(1)/12).

(b) United Nations International Symposium on Trade Efficiency

360. For its consideration of this sub-item, the Board had before it the following document:

> Report of the Preparatory Committee for the United Nations International Symposium on Trade Efficiency on its first session (TD/SYMP.TE/4 - TD/SYMP.TE/PC/3).

361. The representative of the **United States of America**, speaking on behalf of the Chairperson of the Preparatory Committee for the United Nations International Symposium on Trade Efficiency (UNISTE), reported on the work done by the Preparatory Committee and the state of preparation for the two parts of the Symposium, namely the senior officials segment and the Ministerial segment. He stated that 84 countries had so far formally notified the secretariat of their intention to participate. As for the events that would take place in parallel to the UNISTE - namely the Global Executive Trade Summit and the Global Summit for Mayors - speakers had been invited from 31 countries.

362. The **Officer-in-Charge of UNCTAD** said that the overall objective of the UNISTE was to explore ways and means for an increased participation in international trade by those who were still excluded from it, notably small and medium-sized enterprises, particularly in developing countries and economies in transition. The Columbus Ministerial Declaration, which considered that a greater participation in international trade was a prerequisite for development, would call on countries to tackle the micro-economic issues that still hampered such participation. Finally, he recalled that the follow-up to the Symposium would be the subject of an executive session of the Board in November 1994, to discuss issues such as technical cooperation, organizational arrangements and resources, and cooperation with other intergovernmental bodies.

363. The **Director of the Division for Programme Support and Management Services** recalled that the agreement between the host country for the Symposium and the United Nations had exceptionally been split into two parts, one part with the United States Government concerning diplomatic privileges and immunities of the participants, the other part with the City of Columbus concerning logistics, financing and security matters. So far, the negotiations with the city of Columbus had not been completed, which meant that the secretariat was not yet in a position to make arrangements for travel, accommodation, or the shipment of equipment pending the actual deposit of the required amount of money on the United Nations account. It was hoped that this would be done by Tuesday 4 October 1994.

364. The **Secretary of the Trade and Development Board** announced that an informal meeting of Heads of delegations would be held in Columbus on Sunday 16 October in the evening, to agree on procedural matters, and that a meeting of Ministers from least developed countries, chaired by the Ministerial representative of Bangladesh, would take place on Tuesday 18 October at 17.30. The composition of the Bureau for the Symposium would be similar to that of the Board and it was expected that the same Bureau would serve for the Senior Officials segment and for the Ministerial segment.

365. In response to the representative of Cuba, who had referred to administrative difficulties involved in obtaining the required visas, the representative of the **United States of America** encouraged delegations to signal such problems to the UNCTAD secretariat, which would contact the United States mission for a prompt solution.

366. Responding to a question put by the representative of the European Community about the contents of the "Launching of the Global Trade Point Network" that was mentioned in the programme of the inaugural ceremony of the Ministerial segment on 19 October 1994, the **representative of the UNCTAD secretariat** said that this launching, which had been noted by the Board at a previous session, would take the form of a statement during the proceedings of the inaugural ceremony.

Action by the Board

367. At its 851st meeting, on 28 September 1994, the Trade and Development Board took note of the oral report by the representative of the United States of America on preparations for the United Nations International Symposium on Trade Efficiency.

(c) The issue of structural adjustment for the transition to disarmament

368. For its consideration of this item, the Board had before it the following documentation:

"Draft terms of reference of the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament" (TD/B/41(1)/SC.2/L.1).

Consideration in Sessional Committee II

369. The **President of the Trade and Development Board at its thirty-ninth session**, Mr. Gündüz Aktan (Turkey), introduced the document before the Board, which contained the text of the draft terms of reference agreed upon at the last round of informal consultations. He expressed his conviction that the text represented the best possible way of reaching a consensus on the issue and appealed to all delegations to approve it.

370. The representative of **Japan** said that the question of structural adjustment for the transition to disarmament involved three elements, namely, resources at international level, resources allocation at domestic level in each country, and the conversion of military capacities and technologies to civilian use. It was critically important to maintain a balance between the three.

371. The figures quoted in the Secretary-General's report entitled "An Agenda for Peace" confirmed the fact that structural adjustment for the transition to disarmament was not a question of the past. The experience of countries that had benefited from such adjustment should however be of use to other countries. Discussion in the Ad Hoc Working Group could be productive in many areas.

372. The representative of the **Russian Federation** reiterated the importance of the issue under consideration. Many countries still devoted substantial resources to armament compared with those devoted to development. He endorsed the remarks made by the representative of Japan.

Action by the Sessional Committee

373. At its 2nd meeting, on 21 September 1994, the Committee took note of the oral report by the President of the Trade and Development Board at its thirty-ninth session and of the statements made during the formal debate on the item, approved the text of the draft terms of reference of the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament (TD/B/41(1)/SC.2/L.1), and recommended that the Board adopt the text.

Action by the Board

374. The action taken by the Board on agenda item 8 (c) is reported in TD/B/41(1)/14(Vol.I), section I.A. (See decision 420 (XLI)).

Chapter VIII

POLICY REVIEW OF TECHNICAL COOPERATION IN UNCTAD IN THE CONTEXT OF PARAGRAPH 68 OF THE CARTAGENA COMMITMENT

(Agenda item 9)

375. For its consideration of this item, the Board had before it the following documentation:

"Draft agreed conclusions submitted by the Chairman of Sessional Committee II" (TD/B/41(1)/SC.2/L.2).

Action by the Sessional Committee

376. At its 3rd meeting, on 28 September 1994, the Committee adopted the draft agreed conclusions submitted by its Chairman on the policy review of technical cooperation in UNCTAD in the context of paragraph 68 of the Cartagena Commitment (TD/B/41(1)/SC.2/L.2).

Action by the Board

377. The action taken by the Board on agenda item 9 is reported in TD/B/41(1)/14(Vol.I), section I.A. (See agreed conclusions 421 (XLI)).

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